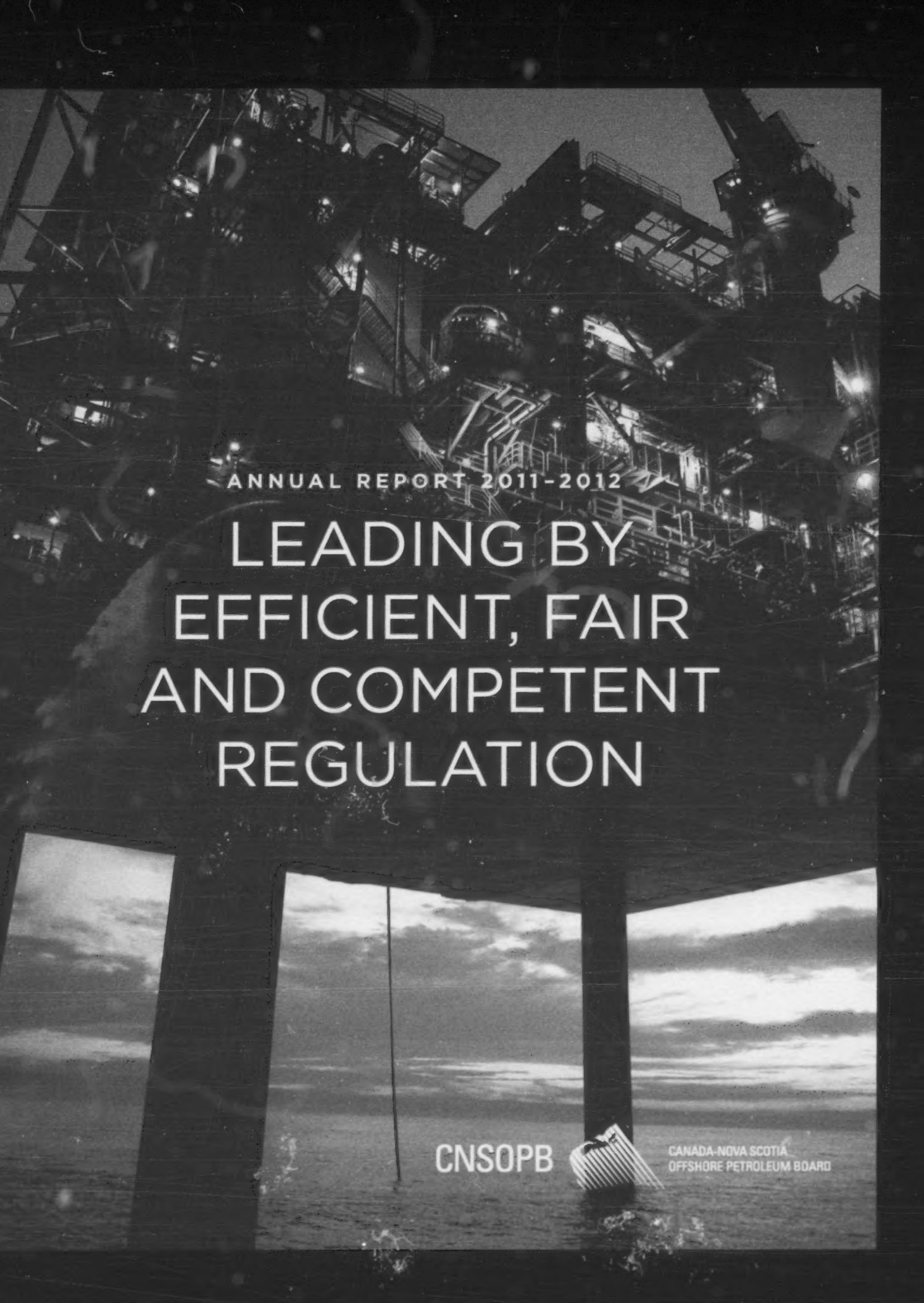
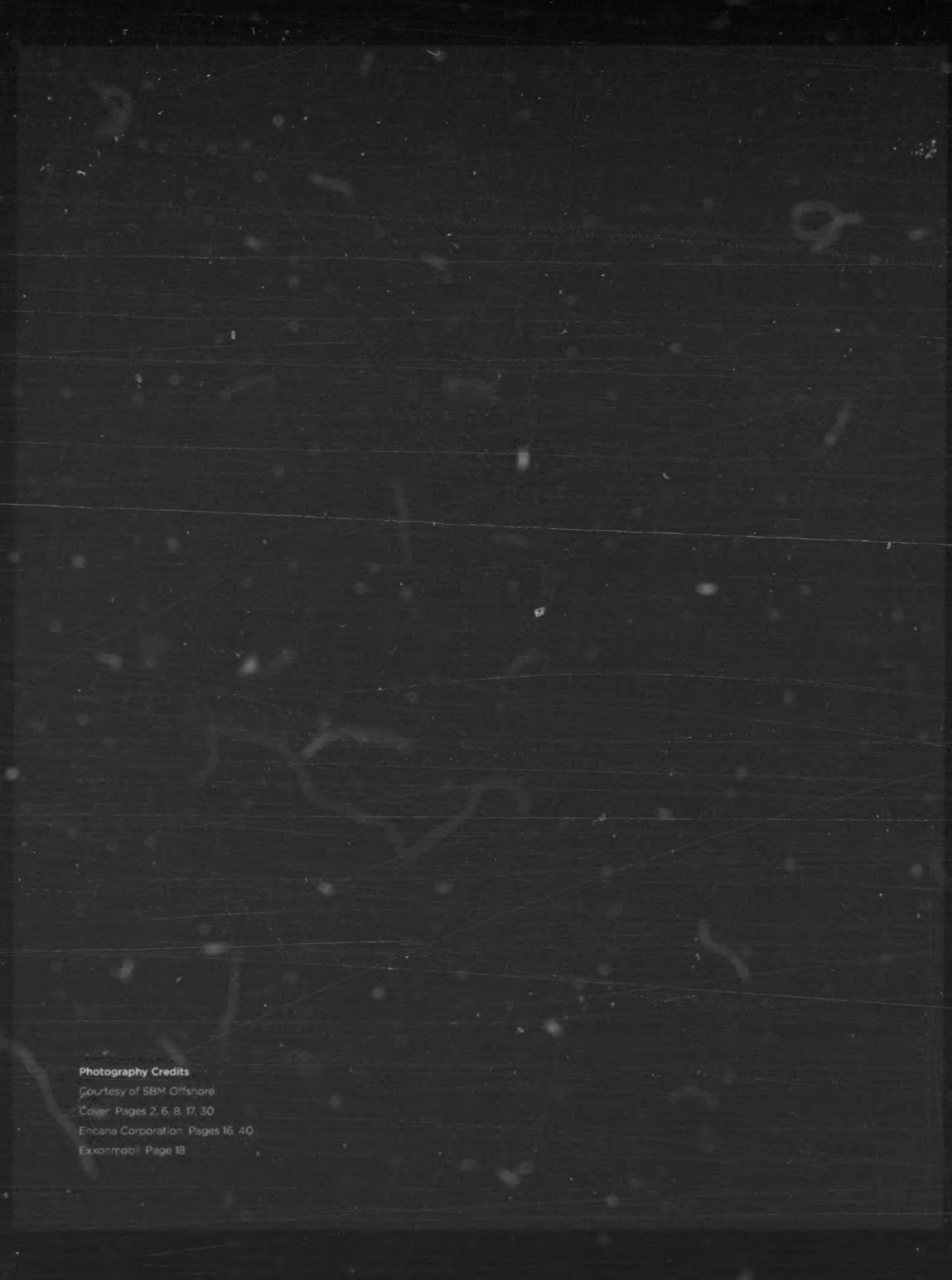


ANNUAL REPORT 2011-2012

LEADING BY EFFICIENT, FAIR AND COMPETENT REGULATION

CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD



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The past year has seen a renewed interest in the exploration offshore Nova Scotia with Shell Canada acquiring four new deepwater exploration licences. The $970 million in work expenditure bids received for these four parcels demonstrates significant confidence by industry in the hydrocarbon potential of our offshore region.

REPORT FROM THE CHAIR AND CEO

Keith Evans, Acting Chair, and **Stuart Pinks,** CEO

The past year has seen a renewed interest in the exploration offshore Nova Scotia with Shell Canada acquiring four new deepwater exploration licences. The $970 million in work expenditure bids received for these four parcels demonstrates significant confidence by private industry in the hydrocarbon potential of our offshore region.

Meanwhile activity continues to pick up, with additional exploration, ongoing production of natural gas from the Sable project and the pending start-up of the Deep Panuke natural gas project. To ensure these offshore activities are carried out safely, and with due regard for the environment, the Board continued to strengthen its already robust regulatory systems. It has also been monitoring technological advancements within the industry, and regulatory improvements being made around the world, to ensure best practices are employed here. This is especially important with the prospect of deepwater drilling in the near future.

One significant initiative this year was the establishment of a new Committee at the Board level — the *Health, Safety & Environment (HS&E) Committee* (which reports to the full Board). This initiative was complemented by a revision in the management reporting structures. This provides for better separation of HS&E decision making from other aspects of the Board's mandate at both the management and the Board level.

The Board also introduced additional staff capability in critical areas including aviation safety, risk management and management system auditing. Moreover, it continued to engage other regulators and government departments responsible for the regulatory oversight of offshore safety and security, environmental protection and emergency response. By working together, we can best coordinate our activities and address any regulatory gaps that may be identified.

Lessons learned from worldwide incidents have been analyzed, leading to improvements in our working arrangements. The result is that, collectively, we are doing our utmost to prevent incidents from occurring, and that we are ready to respond to any event that could occur.

The past year also saw the release of the Province's Offshore Energy Technical Research (OETR) Association's Play Fairway Analysis (PFA), to which Board staff actively contributed. This study provides explorers with critical information about prospectivity and resource potential offshore Nova Scotia. It also offers valuable information to the Board in planning future Calls for Bids for exploration licences. To provide guidance to governments, industry and the public in this regard, the Board has issued a three-year prospective indication of which Crown Reserve Lands will likely be included in annual Calls for Bids, in addition to any industry-nominated parcels.

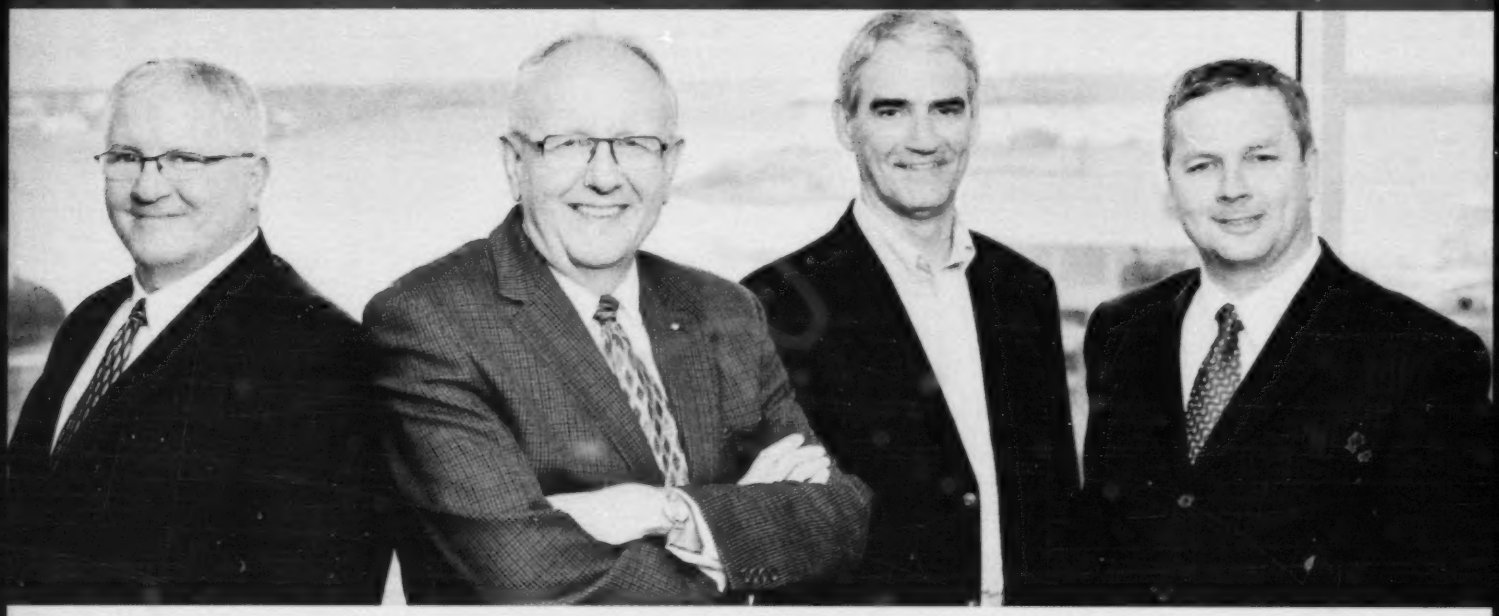
The Board is committed to the responsible stewardship of offshore petroleum resource exploration and development, while assuring that all decision making recognizes safety and environmental protection as paramount.

SINCERELY,

Keith Evans, Acting Chair

Stuart Pinks, CEO

1.0 CORE REGULATORY RESPONSIBILITIES



BOARD MEMBERS. *Left to right: Brian Lewis, Keith Evans, Paul Taylor, and the Honourable Rodney J. MacDonald. Not pictured: Douglas Gregory and Tim Brownlow.*

The Board's core regulatory responsibilities span the full lifecycle of offshore activities including resource assessments, exploration, development, production and abandonment. These responsibilities are aligned with the Board's mandate, which is described on the right.

Board Mandate

As an independent joint agency of the governments of Canada and Nova Scotia, the Board is responsible for the regulation of petroleum activities in the Nova Scotia offshore area, including:

- Health and safety of workers;
- Protection of the environment during petroleum activities;
- Management and conservation of petroleum resources;
- Compliance with the provisions of the Accord Acts that deal with Canada-Nova Scotia employment and industrial benefits;
- Issuance of licences for exploration and development; and
- Resource evaluation, data collection, curation and distribution.

The Board's mandate and core regulatory responsibilities are guided by a regulatory framework which consists of legislation, regulations, guidelines, decision reports, memoranda of understanding and other regulatory documents.

1.1
Strategic Direction

Three strategic priorities were established by the Board at the beginning of fiscal year 2007-08 with a five-year horizon. They include **Optimizing Resource Management**, **Regulatory Modernization** and **Organizational Excellence**.

Progress has been made in each of these areas, including:

- Completion of enhancements to the Board's already robust health, safety and environment regime. This includes the establishment of a separate Health, Safety & Environment (HS&E) Committee at the Board level to provide additional oversight in this area. The Board has also made changes to management reporting structures to further separate HS&E decision making from other aspects of the Board's mandate;
- Collaboration with governments and other regulators on the modernization of legislation, regulations, guidelines and Memoranda of Understanding applicable to offshore petroleum activities;
- Completion of a strategic review of the petroleum rights issuance process, and the subsequent roll-out of a three-year forecast of lands which may be included in annual Calls for Bids packages, along with refinements to the bid process and to exploration licence terms and conditions;
- Providing geoscience expertise, data, interpretations and resources to the Province's Offshore Energy Technical Research (OETR) Play Fairway Analysis;
- Providing geoscience support to the Nova Scotia Department of Energy with respect to communicating the results of the Play Fairway Analysis to petroleum interest worldwide; and
- Engaging the Federal Auditor General in a performance audit of the Board.

In late 2011, the Board reviewed and reaffirmed its commitment to the three current strategic priorities, and added a fourth: **Enhancing Consultation and Communication with Stakeholders.**

The Board will build on the successes from 2011-2012 and will maintain its focus on these strategic priorities in the coming fiscal year.

2.0 SUMMARY OF OFFSHORE WORK AND ACTIVITIES

No work or activity related to the exploration for, development of or transportation of petroleum can be conducted without a specific authorization issued by the Board.

Prior to issuing any such authorizations, the Board requires that the following be submitted in a satisfactory form:

- Canada-Nova Scotia Benefits Plan;
- Development Plan (for development-related activities);
- Safety Plan;
- Environmental Assessment;
- Environmental Protection Plan;
- Contingency Plans;
- Financial Security;
- Summary of Proposed Operations;
- Certificate of Fitness (if applicable); and
- Declaration of Operator

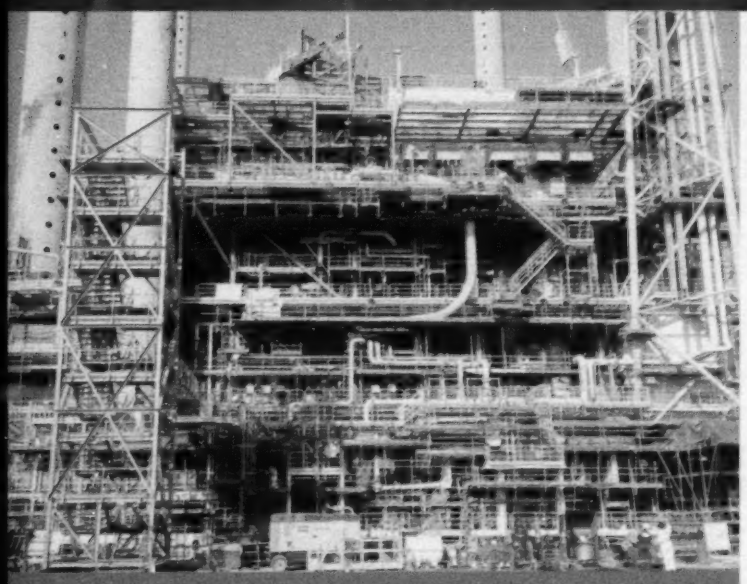
Figure 1 provides a summary of work and activity authorization applications that were submitted and approved between April 1 and March 31 over the last four fiscal years.

FIGURE 1: SUMMARY OF WORK AND ACTIVITIES

WORK OR ACTIVITY APPROVED	NUMBER OF APPLICATIONS APPROVED			
	2008/09	2009/10	2010/11	2011/12
DRILLING				
Drilling Program Authorization	-	2	-	-
Approval to Drill a Well	-	3[a]	-	-
Application to Alter a Well	-	-	3	-
GEOPHYSICAL/GEOTECHNICAL/GEOCHEMICAL				
Seismic	-	-	1	-
Seabed/Geotechnical Evaluations	1	-	-	3
INSTALLATIONS				
Authorization to Install/Remove:				
Flowline section clearance and ROV survey (Deep Panuke)	1	-	-	-
Phase 1 - Pre-Lay Survey (Deep Panuke)	1	-	-	-
Phase 2 - Pipelay, trenching and pre-commissioning (Deep Panuke)	-	1	-	-
Wellhead protection structures and associated pile driving (Deep Panuke)	-	1	-	-
Flowline Installation Program (Deep Panuke)	-	-	1	-
Umbilical Installation Program (Deep Panuke)	-	-	-	1
Phase 1 - Hook-up and commissioning - Anchor installation and ROV debris survey (Deep Panuke)	-	-	-	1
Phase 2 - Hook-up and commissioning - PFC installation and hook-up and commissioning (Deep Panuke)	-	-	-	1
DIVING				
Diving Program Authorization	-	-	1	1
PRODUCTION				
Production Operations Authorization (SOEP):				
Renewal of Authorization	1	-	1	-
Application to Alter a Well (SOEP)	2	2	-	-
TOTAL	**6**	**9**	**7**	**7**

NOTE: (a) Comprised two wells plus one sidetrack

3.0 HEALTH AND SAFETY



The health and safety of offshore workers is paramount for the Board.

Prior to the Board authorizing any petroleum activity in the Nova Scotia offshore area, an operator must clearly demonstrate that it has a robust **safety management system** in place, and must describe how it is being applied through a **safety plan** for the proposed activity.

An operator must also demonstrate that it has properly identified the health and safety hazards associated with the proposed work or activity, and that these risks have been evaluated and can be appropriately **mitigated and managed**.

Once an authorization has been issued, the Board has a compliance monitoring and enforcement program in place to verify that operators follow their safety management system and comply with regulatory requirements. This monitoring also assures that the operators take the necessary actions to correct any non-compliances that are identified and prevent their recurrence.

3.1 New Health, Safety and Environment (HS&E) Committee Established

In 2011, the Board implemented changes to its internal reporting structure to provide further separation in decision making with respect to health, safety and environmental protection from the rest of the Board's mandate. At the Board level, a separate Health, Safety and Environment (HS&E) Committee has been established.

This Committee meets regularly, and ahead of each scheduled Board meeting, to further enhance the Board's due diligence on HS&E matters by:

- formulating recommendations for the Board's strategic direction with respect to its regulatory responsibilities for HS&E that promote the use of best practices and continuous improvement;
- reviewing and obtaining reasonable assurance that the necessary policies, systems, guidelines and Memoranda of Understanding are in place for ensuring regulatory due diligence by the Board in carrying out its mandate with respect to HS&E, and assess their effectiveness;
- reviewing and obtaining reasonable assurance that organizational decision making recognizes the overall paramountcy of safety and environmental stewardship;
- reviewing HS&E issues arising and incidents that have occurred and obtaining reasonable assurance that appropriate actions are being taken by Board staff; and
- reviewing the adequacy of the Board's HS&E resources (both human and financial).

This change to the internal reporting structure is depicted in the Board's organization chart included as **Figure 13**. The Board's Chief Safety Officer is appointed by, and reports to, the Board, but also has direct access to the Board's HS&E Committee.

3.2
Pre-authorization Safety Reviews

All operators applying to the Board to conduct petroleum activity in the Nova Scotia offshore area must submit prescribed safety-related documentation, including a safety plan, for review. The plan establishes the procedures, practices, resources and monitoring measures necessary to ensure the safety of a proposed project or activity.

In conducting its review of safety-related documentation, Board staff ensures it addresses several critical aspects, such as:

- Management system linkages;
- Hazard identification, risk assessment and risk control;
- Authorities/command structure;
- Physical environmental monitoring;
- Training & qualifications;
- Compliance monitoring; and
- Contingency/emergency response planning.

In cases where the proposed work or activity requires use of a drilling, production, diving or accommodation installation, an application for authorization must be supported by a valid Certificate of Fitness issued by a Certifying Authority.

The Certifying Authority is required to review the design, construction, installation and operating manuals for the installation and certify to the Board that:

- It is fit for its intended purpose;
- It is in compliance with the regulations; and
- It can be operated safely without polluting the environment.

The Board's Chief Safety Officer is responsible to review and approve the scope of work to be performed by the Certifying Authority in each instance.

As part of their safety reviews, Board staff members may conduct their own pre-authorization inspection and audits of vessels and installations for regulatory compliance.

One essential requirement before authorization is the issuance of a Declaration of Operator by the operating company, which asserts that:

- A detailed assessment has been made of the operator's readiness to proceed;
- All equipment, personnel and procedures are proven fit to proceed safely; and
- They will remain this way until the end of the activity.

A final and critical step in the authorization process is the Board's Chief Safety Officer's recommendation that the proposed activity can be carried out safely after considering the system and its components, including its structures, facilities, equipment, operating procedures and personnel.

Only upon successful completion of these assessments and procedures can the Board's CEO consider issuing an authorization. This decision is subject to the acceptable completion of additional non-safety-related assessments carried out by Board staff in relation to other aspects of the Board's regulatory mandate.

OPERATIONS/HEALTH, SAFETY & ENVIRONMENT TEAM. *Front row, left to right: Eric Theriault, Keith Landra, Gerald Sheehan. Back row: Joachim Pektzilikoglou, Robert Normore, Dave Scratch, Bob Hale. Not pictured: Kim Hilchie, Elizabeth MacDonald.*

3.2.1
Specific Highlights from the Year

In 2011-12, the Board approved seven authorizations for petroleum-related work or activities associated with the Deep Panuke Offshore Gas Development Project (Deep Panuke project) operated by Encana, as detailed in **Figure 1**. In each case, Board staff conducted pre-authorization safety reviews prior to issuance of each authorization.

The authorizations issued were:

- To deploy a sea watch buoy and conduct a bathymetry survey in the vicinity of the Deep Panuke Production Field Centre (PFC) using the M/V Dominion Victory.
- To conduct a subsea asset survey, conducted by the M/V Atlantic Condor.
- To execute a dive program associated with subsea hook-up and commissioning of the PFC, conducted by the DSV Acergy Discovery.
- To execute a rock placement program for the PFC and associated subsea assets, conducted by the M/V Tideway Rollingstone.
- To install subsea control umbilicals between the well locations and PFC, conducted by the M/V Acergy Falcon.
- To install the PFC on location, conducted by M/V Skandi Skolten, BOABARGE 36 and associated support vessels.
- To commence hook-up and commissioning of the PFC, which will continue into the 2012-13 fiscal year.

Additionally, an application for an Operations Authorization (Production) was received in November 2011 for the Deep Panuke project which will be required prior to project start-up later in 2012. Board staff has had significant involvement with Encana throughout the fiscal year in pre-authorization activities related to this application. A listing of all pre-authorization audits and inspections is included in **Figure 2.**

FIGURE 2: AUDITS AND INSPECTIONS

AUDITEE	INSTALLATION / VESSEL		SUMMARY OF AUDIT FOCUS	AUDIT DATE
	NAME	TYPE		
Encana	Atlantic Condor	Offshore Supply Vessel	Pre-Authorization	17-May-11
Encana	Rollingstone	D.P. Fall Pipe Vessel	Pre-Authorization	19-May-11
Encana	Dominion Victory	Diving Vessel	Pre-Authorization	26-May-11
ExxonMobil	Thebaud, Alma, N. Triumph, S. Venture	Installation - Fixed Platform	Focused - Safety & Environment	30-May-11
Encana	Skandi Skolten	Installation/Survey Vessel	Pre-Authorization	23-Jun-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Pre-Authorization	06-Jul-11
Encana	Acergy Discovery	Diving Suppo[illegible] Vessel	Focused - Safety & Environment	29-Aug-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Health & Safety	13-Sep-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Safety & Environment	12-Oct-11
Encana	Shore Base	Offshore Containers	Focused - Safety	25-Oct-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Health, Safety & Environment	22-Nov-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Environment	06-Dec-11
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Health & Safety	10-Jan-12
ExxonMobil	Halifax Office/Thebaud Platform	Management System Audit	Focused - Safety & Environment	07-Feb-12
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Environment	21-Feb-12
Encana	Deep Panuke Production Field Centre	Installation - Fixed Platform	Focused - Safety & Environment	06-Mar-12
Encana	SBM Office	Onshore Office	Focused - Safety & Environment	14-Mar-12
Divers Certification Board of Canada	DCBC office	Other - DCBC office	Focused - Safety	15-Mar-12

3.3
Compliance Monitoring and Enforcement

Activities authorized by the Board are subject to compliance monitoring by Board staff on an ongoing basis. Operators must submit a variety of reports to the Board providing information on the status of their work programs, and to confirm compliance with specific regulatory requirements. They are required to file operational status reports daily for drilling and production activities, and weekly for other activities. Board staff members review these reports to identify potential health and safety compliance issues.

The Board also routinely reviews minutes from Joint Occupational Health & Safety Committee (JOHSC) meetings held offshore to ensure that issues raised through this forum are dealt with appropriately by the operator.

Board staff members regularly conduct health and safety compliance audits and inspections at offshore worksites where authorized work or activities are being carried out.

As a result of the monitoring of day-to-day operations, or audits and inspections, Board staff may identify or become aware of workplace conditions or actions that do not comply with legislation, regulations or conditions of authorization. Pursuant to the Board's established compliance and enforcement policy, it will normally seek voluntary compliance from the operator to correct such matters. Other possible actions may include issuance of orders, suspension or revocation of approvals and authorizations and prosecution.

Operators are required to report health and safety-related incidents to the Board when they occur. For each reported incident, the Board verifies that the operator has taken the appropriate actions to determine the cause of the incident and to prevent its recurrence. The Board reviews this information, as well as information from other independent sources, to determine possible trends and commonalities, and to identify specific target areas for improvement. More significant incidents may also be investigated independently by Board staff.

3.3.1
Specific Highlights from the Year

In 2011-12 the Board conducted the above described oversight for several authorized activities. Associated audits and inspections are listed in **Figure 2.**

Regulatory oversight was related to the following activities:

- Authorized work and activities related to the Deep Panuke project that were carried out in accordance with Authorizations noted in Section 3.2.1 above.
- Continuing operation of the Sable Offshore Energy Project, including a comprehensive audit of the associated ExxonMobil management system.

Incident Investigations
All reportable incidents were followed-up by Board staff to ensure that causes and corrective actions were identified.

3.4
Safety Performance

Injury Statistics
In the 2011-12 fiscal year, there were **985,387 person hours** worked under Board authority in the Nova Scotia offshore area. During that period, there were **0** disabling injuries (see **Figure 3** for greater detail).

FIGURE 3: DISABLING INJURY STATISTICS

	2007	2008	2009-10[2]	2010-11	2011-12
NUMBER OF DISABLING INJURIES[1]					
Installations	0	1	4	2	0
Vessels	0	0	4	1	0
Aviation	0	0	0	0	0
TOTAL	**0**	**1**	**8**	**3**	**0**
PERSON HOURS					
Installations	274,080	230,880	551,033	450,857	549,116
Vessels	98,547	87,953	1,060,901[3]	403,868	413,729
Aviation	29,424	27,312	34,154	45,124	22,542
TOTAL	**402,051**	**346,185**	**1,646,088[3]**	**899,849**	**985,387**
FREQUENCY RATE (per 200,000 person hours)					
Installations	0	0.87	1.45	0.89	0
Vessels	0	0	0.75[3]	0.50	0
Aviation	0	0	0	0	0
TOTAL	**0**	**0.58**	**0.97[3]**	**0.67**	**0**

NOTE: (1) The term "**disabling injury**" means an employment injury or an occupational disease that:

(a) prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee;

(b) results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness; or

(c) results in the permanent impairment of a body function.

(2) The disabling injury statistics for 2009/10 are based on 15 months (inclusive of Q1 2009 – Q1 2010); this is to align with the fiscal-year reporting period.

(3) Person hours on vessels for the 2009/10 reporting period have been revised to include additional person hours submitted by the operator subsequent to the 2009/10 annual report being published. The additional person hours also required adjustment to the total person hours, vessel injury frequency rate and total injury frequency rate.

3.5
Security

The Board continues to promote measures to ensure the security of facilities involved in oil and gas exploration and production in the Nova Scotia offshore area is in alignment with the Government of Canada's National Critical Infrastructure Assurance Program. Board representatives attend semi-annual classified briefings held in Ottawa by the Energy Infrastructure Protection Division (EIPD) of Natural Resources Canada, in collaboration with the Canadian Security Intelligence Service. These briefings, attended by energy sector stakeholder personnel with appropriate security clearance, are provided as part of an EIPD effort to facilitate the exchange of information between the public and private sectors.

The Board worked with Transport Canada (which has certain responsibilities for security under the Marine Transportation Security Act) to develop a functional memorandum of understanding (MOU). The MOU aligns and coordinates regulatory practices for assuring the security of vessels and marine facilities involved in offshore oil and gas activities.

3.6
Regulatory Queries

Operators and installation owners may wish to seek clarification on a regulatory requirement; propose use of alternate equipment, methods, measures or standards to those referenced in the regulations; or seek an exemption from a regulatory requirement. The Board's Chief Safety Officer and/or Chief Conservation Officer may authorize such regulatory deviations if satisfied that the proposal would provide an equivalent or acceptable level of safety, protection of the environment and resource conservation.

In 2011-12, there were **13** regulatory queries approved by the Board: **12** for the Deep Panuke project and **1** for Sable Offshore Energy Project (SOEP) as listed in **Figure 4**.

3.7
Key Initiatives

3.7.1 International Regulators' Forum

Norway hosted the fourth International Regulators' Offshore Safety Conference in Stavenger, Norway in October 2011. The conference was organized by the International Regulators' Forum (IRF), which comprises offshore oil and gas regulators from ten countries.

The conference offered an opportunity for regulators and other industry players to come together for an open and frank dialogue about offshore safety issues in the wake of the Montara blowout in the Timor Sea in 2009 and the Macondo blowout in the Gulf of Mexico in 2010. The key conclusions from the conference included the need for stakeholders to practice lessons learned from the Montara and Macondo disasters. In addition, the group observed the necessity for the industry to grasp the links between safety and environmental protection, and to identify any existing gaps which need to be closed.

Following the summit, the IRF members met for their 18th annual meeting, where they moved forward with their strategic focus on blow-out preventers, well integrity and operational issues, the use of standards and industry best practices, safety culture and leadership, performance measurement and indicators, and fitness to operate criteria.

IRF members also agreed that the scope of the IRF should be extended beyond the normal operations onboard drilling rigs and production installations to include the response by installation crews to non-routine/emergency situations in order to protect the environment as well as the health and safety of workers.

The next annual meeting will be hosted by Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) in Rio de Janeiro in September 2012.

CONFERENCE PRESENTATIONS AND OTHER RELEVANT INFORMATION CAN BE DOWNLOADED FROM IRF'S WEBSITE: WWW.IRFOFFSHORESAFETY.COM/CONFERENCES/2011SUMMIT/

FIGURE 4: REGULATORY QUERIES

ORIGINATOR	INSTALLATION/ VESSEL	SUMMARY	SUBMISSION DATE	APPROVAL DATE
Encana	Deep Panuke PFC	RQF-055 - Increase in POB (exceeding normal facility POB) During Facility Hook-up & Commissioning	06-Apr-11	Approved with Conditions 12-Jul-11 Extension granted 15-Feb-12
Encana	Deep Panuke PFC	RQF-025 - Acceptance of Certifying Organizations for Electrical/ Instrumentation/ Telecommunications Equipment	19-Apr-11	12-May-11
Encana	Deep Panuke PFC	RQF-056 - PFC Life Saving Appliance Considered Available on Standby Vessel	21-Apr-11	28-Apr-11
Encana	Deep Panuke PFC	RQF-057 - DNV OS-F101 Submarine Pipeline Systems Essential Welding Variables	21-Apr-11	05-May-11
Encana	Deep Panuke PFC	RQF-059 - Temporary Fire Fighting during PFC Installation	29-Apr-11	13-Jul-11
Encana	Deep Panuke PFC	RQF-052 - Use of Combustible Material for Living Quarters Furniture	29-Apr-11	13-May-11
Encana	Deep Panuke PFC	RQF-060 - Power Turbine Exhausts	01-Jun-11	03-Aug-11
Encana	Acergy Discovery	General Variances from N.S. Offshore Requirement for Diving Vessel	30-Jun-11	06-Jul-11
Encana	Deep Panuke PFC	RQF-061 - CO2 Fire Suppression System - CO2 Dumping Tests	30-Jun-11	14-Jul-11
Encana	Deep Panuke PFC	RQF-062 - Application of Field Joint Coatings to Subsea Tie-in Spools for 8" Infield Flowlines	27-Jul-11	28-Jul-11
Encana	Deep Panuke PFC	RQF-063 - Fire Hoses	02-Aug-11	03-Aug-11
Encana	Deep Panuke PFC	RQF-058 - Closure of Sub-surface Safety Valve on Emergency Shutdown	18-Oct-11	01-Dec-11
ExxonMobil	Sable Offshore Energy Project	RQF-152 - Sable Offshore Flare Ignition Systems	06-Jan-12	24-Feb-12

3.7.2 Accord Act OHS Amendments

Provincial and federal governments continue to finalize proposed amendments to the Accord Acts regarding offshore Occupational Health and Safety (OHS). Progress was made during fiscal 2011-12 and Board staff assisted governments in further revising the legislative amendments. While this process continues, the Board's Occupational Health & Safety (OHS) Requirements remain in place to provide direction to operators and ensure the protection of offshore petroleum workers. Compliance with these requirements is a condition of all activities authorized by the Board.

3.7.3 Helicopter Transportation Safety

During the past year, the Board has been engaged in several efforts directed toward the safety of helicopter transportation. The Board remains active on the Canadian Association of Petroleum Producers' (CAPP) Atlantic Canada Offshore Petroleum Training and Qualifications Committee. It, among other activities, evaluates and identifies potential improvements to training programs, including those specific to offshore survival training.

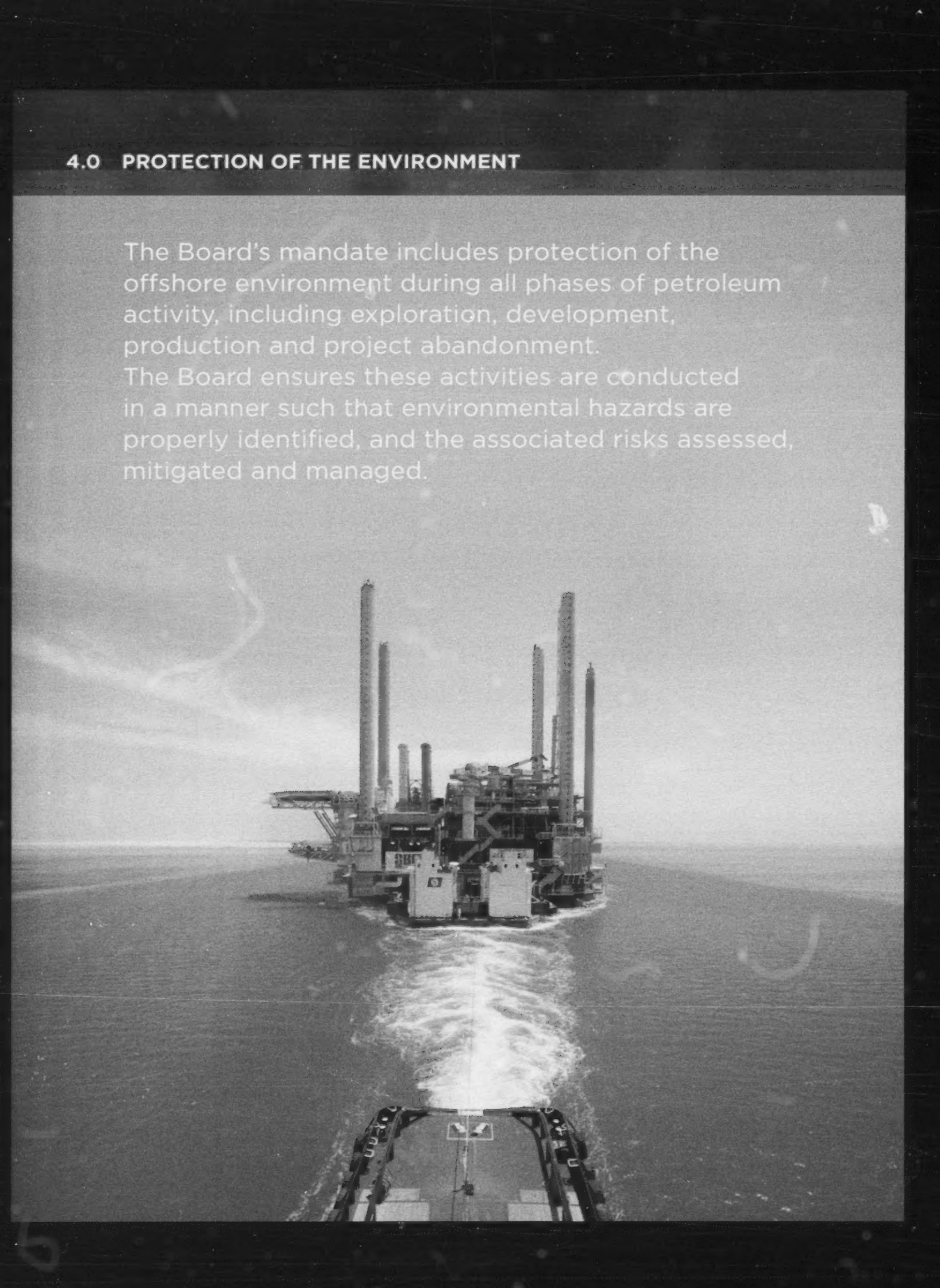
The Board's Chief Safety Officer is an active member of the Canadian General Standards Board Committee for Marine Abandonment Suits and Helicopter Transportations Suit Systems.

During the past year the Helicopter Transportation Suit Standard was completely revised. This new revision has passed the Committee process and the new standard should be published in early spring 2012. In March 2012 the East Coast Operators issued an expression of interest to source new suits for the offshore workforce, based on the new standard. They intend to follow up with a Request for Proposal later in the summer. The introduction of new suits remains on schedule for 2014.

Board staff continues to engage regional and national partners, as well as international regulators, in pursuit of knowledge necessary to improve approaches to helicopter safety for the Nova Scotia offshore area. The Board has kept a particular focus on the advice of the multi-stakeholder group focused on implementing the recommendations arising out of the Offshore Helicopter Safety Inquiry in Newfoundland and Labrador. The Board engages stakeholders and considers any issues or improvements identified in the context of helicopter safety in the Nova Scotia offshore area.

4.0 PROTECTION OF THE ENVIRONMENT

The Board's mandate includes protection of the offshore environment during all phases of petroleum activity, including exploration, development, production and project abandonment.
The Board ensures these activities are conducted in a manner such that environmental hazards are properly identified, and the associated risks assessed, mitigated and managed.



Prior to issuing exploration licences in new offshore areas, the CNSOPB conducts Strategic Environmental Assessments (SEAs) to identify specific environmental issues that may exist within these areas.

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Prior to issuing exploration licences in new offshore areas, the CNSOPB conducts Strategic Environmental Assessments (SEAs) to identify specific environmental issues that may exist within these areas.

These issues must be addressed through future project-specific environmental assessments (EAs), or they may result in the Board deciding not to accept bids in a particular area. All subsequent projects in an area covered by an SEA, including seismic programs and exploratory wells, require project specific EAs prior to the Board's authorization of any proposed offshore petroleum-related work or activity. The Board is a Federal Authority under the Canadian Environmental Assessment Act (CEAA) and follows its prescribed environmental assessment requirements. All assessments must also comply with other environmental protection legislation, such as the Species at Risk Act, to ensure the protection of Valued Environmental Components (VECs).

The Board may impose additional mitigation measures or operating constraints on an authorization based on the findings of an environmental assessment. Environmental Effects Monitoring (EEM) is used to confirm predicted project effects and verify mitigation measures identified during the EA process. EEM programs are conducted annually on production activities and consist of scientific field studies of potential effects on VECs.

In support of the authorization process, the operator must submit an Environmental Protection Plan (EPP) and a spill response contingency plan. Both identify hazards and describe how the operator's management system and operational practices ensure environmental protection. Authorization is only granted to the operator if the EPP and spill response plan are deemed acceptable by the Board. The EPP must contain commitments to meet or exceed the Offshore Waste Treatment Guidelines and the Offshore Chemical Selection Guidelines. The Board's staff monitor operator commitments made in the EA and EPP to protect the environment. Operators are required to submit daily, monthly and annual reports on key processes and activities for review by Board environmental staff members, who also conduct environmental compliance audits and inspections.

4.1 Environmental Assessment

4.1.1 General Overview

Since 2003, **four SEAs** have been conducted, and all offshore oil and gas activities have been subject to a project specific EA under the CEAA. This includes both exploration and development projects. There have been **18 EAs** conducted since 2003.

Though participation varies with each project, consideration of public comments is an important part of the EA review process. An internet-based Public Registry, managed by the Canadian Environmental Assessment Agency, tracks all EAs conducted under the CEAA, including those undertaken by the Board. The Board also posts project descriptions, scoping documents, and related correspondence on its own website. The public can follow correspondence and reports regarding a proposed work or activity on this website from the project description stage through the EA and associated follow-up activities. The public can also submit comments during the EA process.

4.1.2 Summary of Environmental Assessments Conducted

In association with Call for Bids NS11-1, a Strategic Environmental Assessment (SEA) was conducted prior to the closing of the Call for Bids. This SEA concluded that impacts of all potential interactions would not likely have significant adverse environmental effects on selected VECs following appropriate mitigation.

In association with Exploration Licence 2419, operator Scotia Exploration Inc. submitted a project description for exploration activities, and the Board subsequently prepared the associated EA scope. However, an EA was not submitted in the fiscal year.

Board staff also led ongoing efforts between the Department of Fisheries and Oceans (DFO), Environment Canada (EC), and the Board to review post-EA commitments for the Deep Panuke and Sable Offshore Energy Projects. This cooperation ensures that obligations under the CEAA and/or CNSOPB requirements continue to be met by the operator.

4.2 Environmental Protection Plans and Spill Response Plans

4.2.1 General Overview

As stated in Section 4.0, operators must submit to the Board an Environmental Protection Plan (EPP) as part of their application. The EPP sets out the procedures, practices, resources, and monitoring necessary to manage hazards and protect the environment from the proposed work or activity. The EPP serves as a reference document for project personnel that describes, or maps out, all environment-related processes and documents.

One essential part of environmental protection is spill prevention and response. The EPP describes the spill prevention process and spill response plan that the operator will use, such as practices, procedures, physical barriers, and effluent control and monitoring equipment to identify risks and respond to incidents. The goal of a spill response plan is to reduce the impact on people, property and the environment. Spill response plans for Nova Scotia's offshore production projects are available on the CNSOPB website.

4.2.2 Specific Highlights from the Year

The latest revision to the Deep Panuke production phase EPP, submitted February 2012, is under review by Board staff.

Sable Offshore Energy Project (SOEP) has had a long-standing EPP, but with the Board issuance of new EPP Guidelines in May 2011, an update was required of SOEP's EPP. SOEP submitted a revised EPP in late January 2012 that is currently under review by Board staff.

4.3 Environmental Effects Monitoring

4.3.1 General Overview

Environmental Effects Monitoring (EEM) involves scientific monitoring of the effects of offshore petroleum activities on specific aspects of the surrounding environment. EEM programs are conducted throughout each year, as are reviews of the program design, which may change annually. EEM is required for all development projects, and occasionally for certain exploration activities.

An EEM review process framework was developed jointly in 2005 by the CNSOPB, Canadian Environmental Assessment Agency, Department of Fisheries and Oceans and Environment Canada. The purpose of this framework is to strengthen cooperation and coordination between government, regulators and industry when designing, implementing and reviewing EEM programs for Nova Scotia's offshore oil & gas sector.

Sable Offshore Energy Project (SOEP)

ExxonMobil conducts annual EEM programs for the SOEP, which monitor the project's effects on specific components of the surrounding environment. The 2011 EEM program focused on site-related effects on benthic and fish habitat, shellfish, seabirds, air quality, and fish health, as well as the effects of produced water on the environment. The results of the EEM program are submitted to the Board staff for review in the first quarter of each year.

Deep Panuke Offshore Gas Development Project

Encana submitted an Offshore Production EEM plan in early 2011. This plan will guide their production phase environmental effects monitoring activities for the life of the project. Board staff, with advice from DFO and EC, approved the plan in late 2011.

4.4
Compliance Monitoring and Enforcement

4.4.1 General Overview

The Board has in place an effective monitoring program to evaluate operator compliance with environmental regulatory requirements. Operators are required to submit reports detailing the status of their work programs on an ongoing basis, along with other documentation to demonstrate regulatory compliance. Operational status reports are provided on a daily basis for drilling and production activities, on a monthly basis for produced water reports, and on a weekly basis for other activities. Reports filed with the CNSOPB are reviewed by staff to identify environmental compliance issues, which are addressed accordingly.

CNSOPB staff members also regularly conduct environmental compliance audits and inspections at offshore worksites and operator offices.

4.4.2 Monitoring Activities/Highlights

Environmental monitoring of the SOEP conducted by ExxonMobil consists of two components: compliance monitoring and EEM. Compliance monitoring, such as monitoring of discharge levels, is in place to ensure compliance with regulations, guidelines, conditions of authorization and all applicable laws. Results are submitted to the CNSOPB regularly for review.

The production start date for Deep Panuke is currently targeted for mid-2012. In 2011, there were several activities related to this project that CNSOPB staff monitored from an environmental perspective, including the transportation, installation, and initial commissioning of the Production Field Centre (PFC). Monitoring of production operations to ensure regulatory compliance will commence once start-up has been completed.

4.4.3 Audits/Inspections

During the fiscal year the CNSOPB and EC concluded a joint inspection of the SOEP offshore installations to verify that ExxonMobil is in compliance with Federal Halocarbon Regulations (FHR).

The Board also initiated a joint FHR inspection of the Deep Panuke PFC with EC. The inspection will be executed post start-up.

In addition to the above environment-specific inspections, environmental compliance assurance is usually included in the scope of those audits and the inspections noted in section 3.1 and 3.2 above. Of particular mention is the ExxonMobil management system audit that included several environmental management systems elements.

4.5
Environmental Performance

Spills and Releases

Regulations require that all spills and releases be reported to the CNSOPB and other applicable government departments. The CNSOPB reviews and/or investigates potential environmental impacts of each spill and accidental release. It also monitors spill occurrences to determine if any trends are occurring. Environmental concerns include the potential impact of petroleum products on seabirds and the impact of spills on the marine habitat.

There were **six spills** to the sea and **four gas releases** reported during the 2011-12 fiscal year. The gas releases were halocarbon refrigerant releases varying from <5 kg to 54.54 kg.

Figure 5 on the opposite page categorizes the spills to the sea.

FIGURE 5: SPILLS TO THE SEA[a] APRIL 1, 2011 – MARCH 31, 2012

MATERIAL	Less than 1L	1-10L	11-150L	Greater than 150L	TOTAL
Hydraulic Oil	1	-	1	-	2
Diesel	2	-	-	-	2
Chemicals	-	-	-	1[b]	1
Condensate	-	-	1[c]	-	1
TOTAL	**3**	**0**	**2**	**1**	**6**

NOTE (a) Does not include minor exceedences to authorized discharge limits (e.g. oil in produced water) or gas releases;

(b) 50/50 Glycol Water Mix (250L)

(c) Condensate in produced water exceedence

4.6 Key Initiatives

4.6.1 Fisheries Advisory Committee

The CNSOPB's Fisheries Advisory Committee (FAC) includes representatives from various fishing groups in Nova Scotia, Department of Fisheries and Oceans, the Nova Scotia Department of Agriculture and Fisheries, Natural Resources Canada and the Nova Scotia Department of Energy. FAC members provide advice and suggestions to the CNSOPB for consideration in Calls for Bid processes, environmental assessments, work and activity authorization applications, and the development of CNSOPB guidelines. Members are provided with information about petroleum activities on a regular basis. Formal FAC meetings are held several times annually to inform and engage members in a discussion of upcoming projects and other petroleum-related activities. Committee members are provided with notice of all environmental assessments and are invited to submit comments to the CNSOPB for consideration during the review process.

FAC meetings held in 2011-12 were also important forums to receive concerns and share information related to the 2010 Deepwater Horizon (Macondo well) incident in the Gulf of Mexico. Members were able to question CNSOPB technical staff on this incident and were informed of lessons learned and actions taken by the CNSOPB and other international regulators as a result.

4.6.2 International Offshore Petroleum Environmental Regulators' Group

The CNSOPB continues to participate in the International Offshore Petroleum Environmental Regulators' Group (IOPER), established in 2008. Participating countries include Canada, Brazil, Australia, the United States, the United Kingdom and Norway. This network of offshore petroleum environmental regulators provides members with mutual support and advice while promoting best environmental performance globally.

Information exchanged among members may include:

- Offshore environmental trends;
- Petroleum industry environmental performance;
- Lessons from environmental incidents;
- Industry best environmental practices;
- Environmental regulatory initiatives; and
- Measuring the effectiveness of regulatory activities.

4.6.3 Environmental Studies Research Fund

The CNSOPB is a member of the Environmental Studies Research Fund (ESRF) management board, which includes representatives from government, regulators, industry and the public. Funding for the ESRF is provided by industry through levies on exploration and production properties on frontier lands. Its purpose is to finance environmental and social studies pertaining to the terms, conditions and manner best suited for petroleum exploration, development and production activities on frontier and offshore lands. The 12-member management board sets priorities for research studies, determines program budgets and facilitates the development of study proposals. The 2011 research priority areas included: seismic; seabirds; air emissions; and waste management. In 2012 the priority areas are: oil spill preparedness, fate, effects; and seismic. Approximately 200 research studies have been published to date.

4.6.4 Participation in DFO-led Initiatives: Eastern Scotian Shelf Integrated Management and Marine Protected Area Planning Processes

The CNSOPB continued to participate in the Eastern Scotian Shelf integ ated Management (ESSIM) initiative. Led by Department of Fisheries and Oceans (DFO), ESSIM takes a collaborative, integrated planning and management approach to addressing broad-scale ocean use and interests involving the Shelf. In 2011-12, the CNSOPB continued to collaborate with DFO on the following ESSIM initiatives: the Stakeholder Advisory Council, the federal-Provincial ESSIM Working Group; and the Regional Committee on Ocean Management. In early 2012 ESSIM concluded its mandate period, with future integrated management initiatives under consideration by DFO.

The CNSOPB also continued to participate in the DFO Marine Protected Areas (MPAs) program.

These programs include:

- Participating in the Gully MPA Advisory Committee meetings.
- Participating in advisory committees for two proposed MPA Areas of Interest (AOI); the Laurentian Channel AOI and the St. Ann's Bank AOI.

At the request of DFO, the CNSOPB completed a geological overview and resource estimate of the St. Ann's Bank proposed MPA. A number of meetings have been held with DFO staff to discuss the hydrocarbon potential of this proposed MPA and the CNSOPB's resource assessment methodology.

5.0 RESOURCES AND RIGHTS

THE RESOURCES & RIGHTS TEAM. *Front row, left to right: Christine Bonnell-Eisnor, Brent Smith, Steve Bigelow, Colleen Ménard, Mark Deptuck. Back row: Brian Altheim, David Brown, Kris Kendell, Carl Makrides*

The Resources and Rights Group is involved with the management and conservation of petroleum resources, resource evaluation and petroleum rights issuance aspects of the CNSOPB's mandate.

5.1 Resource Management and Conservation

Under the Accord Acts, the management and conservation of offshore petroleum resources is a primary responsibility of the CNSOPB. Resource conservation means that petroleum must be produced in accordance with good oil field practices, having proper regard for the efficient recovery of the resource and the prevention of waste.

The CNSOPB's resource conservation approach is designed to ensure that operators are committed to resource conservation, to audit work or activity authorization applications from a resource conservation perspective and to perform necessary studies and surveillance in order to develop and support an independent understanding of the resource.

Pursuant to section 16 of the Nova Scotia Offshore Petroleum Drilling and Production Regulations, operators are required to submit a **Resource Management Plan (RMP)** to document their conservation policy and procedures. Based on the latest geological, geophysical, petrophysical and reservoir information available at the time of the authorization application, the RMP should fully describe how the field or pool will be produced over its life. Furthermore, it should provide a detailed evaluation plan to address the main uncertainties, including sensitivities and alternative scenarios.

The RMP is valid for the life of a pool or field and should be modified as new information is acquired. Thus, annual updates are required with the annual production report.

5.1.1 Compliance Monitoring and Enforcement

The CNSOPB monitors exploration and development activity to ensure optimum conservation of the resource and compliance with the regulations. This is accomplished through monitoring reservoir production and performance, regular communication with the operator, and reviewing work or activity authorization applications from a resource conservation perspective. When appropriate, technical studies are undertaken to independently validate proposals and activities.

Each application for authorization to conduct a geophysical and geotechnical program is reviewed by Board staff to determine that there is no unnecessary duplication of data acquisition and that the program is in compliance with geophysical regulations and CNSOPB guidelines. After the program has commenced, progress is monitored weekly through reports and updates from the operator to confirm it is consistent with the approved program. Upon completion, the program's data and final reports are reviewed, analyzed and archived by staff.

Each application for approval to drill a well includes, among other requirements, a drilling plan that is reviewed by Board staff. Board staff conduct technical evaluations of all geological, geophysical, petrophysical and reservoir engineering aspects of the program. The evaluation also ensures consistency of this plan with regulations. After the well is spudded (i.e., initially commenced), its progress is continually monitored through daily reports and updates from the operator to ensure drilling is consistent with the approved program. All modifications are reviewed and approved if necessary. After the well is completed, the well results, data (i.e., well logs, cores, cuttings, fluids, well tests, etc.) and final reports are reviewed, analyzed and archived by staff.

Approved development projects are monitored to confirm:

- The operator is maximizing recovery from a field in accordance with good oilfield practices;
- The Resource Management Plan is current and put into effect;
- Flow and volume measurements are conducted in accordance with an approved flow system; and
- The flow calculation procedure and flow allocation procedure and all other conditions associated with an approved development plan application are followed.

5.1.2 Specific Highlights from the Year

In addition to daily production and measurement monitoring of the SOEP, Board staff reviewed the operator's annual Resource Management Plan update and annual Production Report. In February 2012, Board staff audited ExxonMobil's Management System. Audit criteria focused on relevant sections of the Nova Scotia Offshore Petroleum Drilling and Production Regulations pertaining to the management and conservation of petroleum resources. This included items such as the resource management plan, evaluation of wells, pools and fields, measurements, production conservation and reporting.

In preparation for the start-up of Encana's Deep Panuke Project, the Board reviewed its metering and measurement submissions. The required annual update to Deep Panuke's Resource Management Plan was also submitted and reviewed.

5.2 Offshore Production

5.2.1 Sable Offshore Energy Project (SOEP)

Natural gas production from the SOEP began in December 1999. Tier I fields Thebaud, Venture and North Triumph provided the initial production, followed by Tier II fields Alma and South Venture. Total yearly production by field is shown in **Figure 6**.

The total average daily gas rate each fiscal year is listed in **Figure 7** and the average daily gas rate by field is shown graphically in **Figure 8**. By the end of this fiscal year, total production was 50.9 E9m^3 (billion cubic metres) or 1,797 Bcf (billion cubic feet). Each field's contribution to this total production is shown in **Figure 9**.

FIGURE 6: TOTAL GAS PRODUCTION BY FIELD EACH FISCAL YEAR

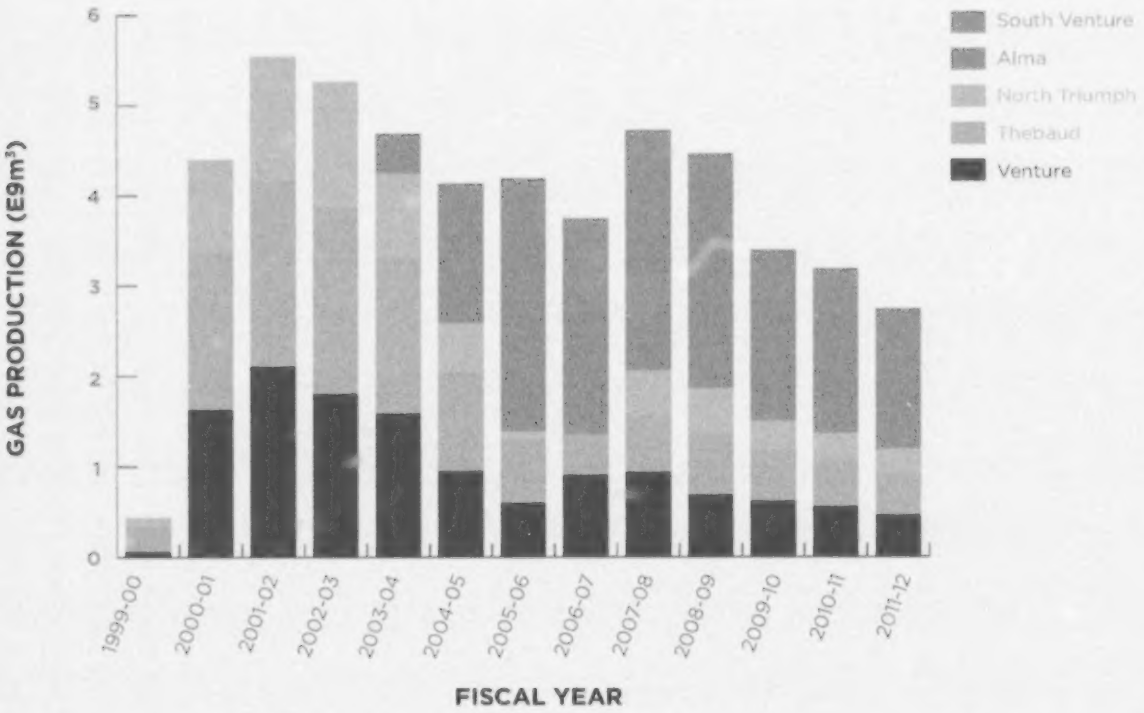


FIGURE 7: TOTAL AVERAGE DAILY GAS RATE EACH FISCAL YEAR

FISCAL YEAR	(E6M³/D)	(MMcf/d)
1999-00	4.7	167
2000-01	12.0	425
2001-02	15.2	536
2002-03	14.4	509
2003-04	12.8	452
2004-05	11.3	400
2005-06	11.5	406
2006-07	10.3	362
2007-08	12.9	456
2008-09	12.2	431
2009-10	9.3	329
2010-11	8.7	308
2011-12	7.5	264

FIGURE 8: AVERAGE DAILY GAS RATE BY FIELD EACH FISCAL YEAR

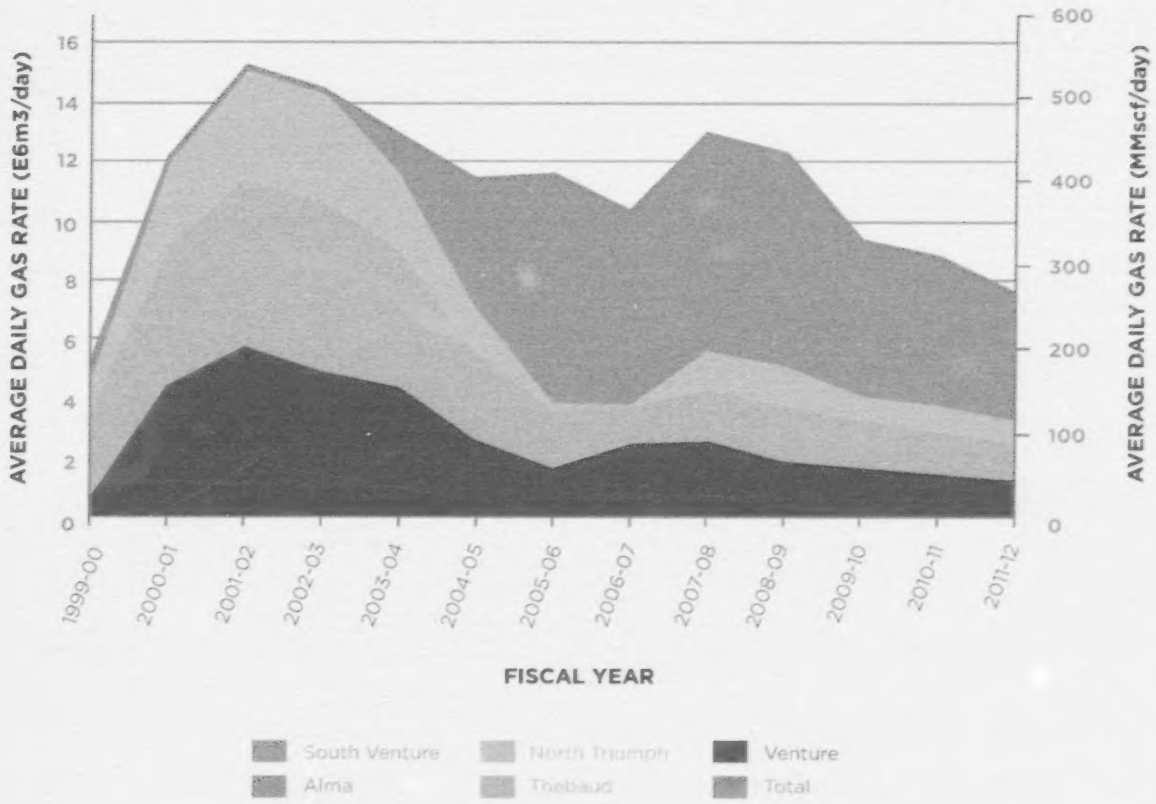


FIGURE 9: FIELD CONTRIBUTIONS TO TOTAL PRODUCTION

5.3
Resource Assessments

Board staff continued its responsibility to assess the hydrocarbon potential of the offshore sedimentary basins. These assessments are required to determine the volume of oil and gas discovered to date (reserves), as well as to estimate the undiscovered potential volumes (resources). Data is used in the decision making process pertaining to the issuance of petroleum rights by the Board. Industry uses this data for evaluation of a basin's exploration potential and prospectivity. Governments use the data to evaluate potential supplies, possible resource revenue and to inform policy makers.

5.4
Rights Management

5.4.1 General Overview

The rights issuance, or licensing policy, is governed by Part II of the Accord Acts, which is based on the Canadian Petroleum Resources Act model. Administration of the licensing process is reviewed annually by the federal and provincial governments to ensure that the process supports, and is consistent with, the Board's Strategic Plan.

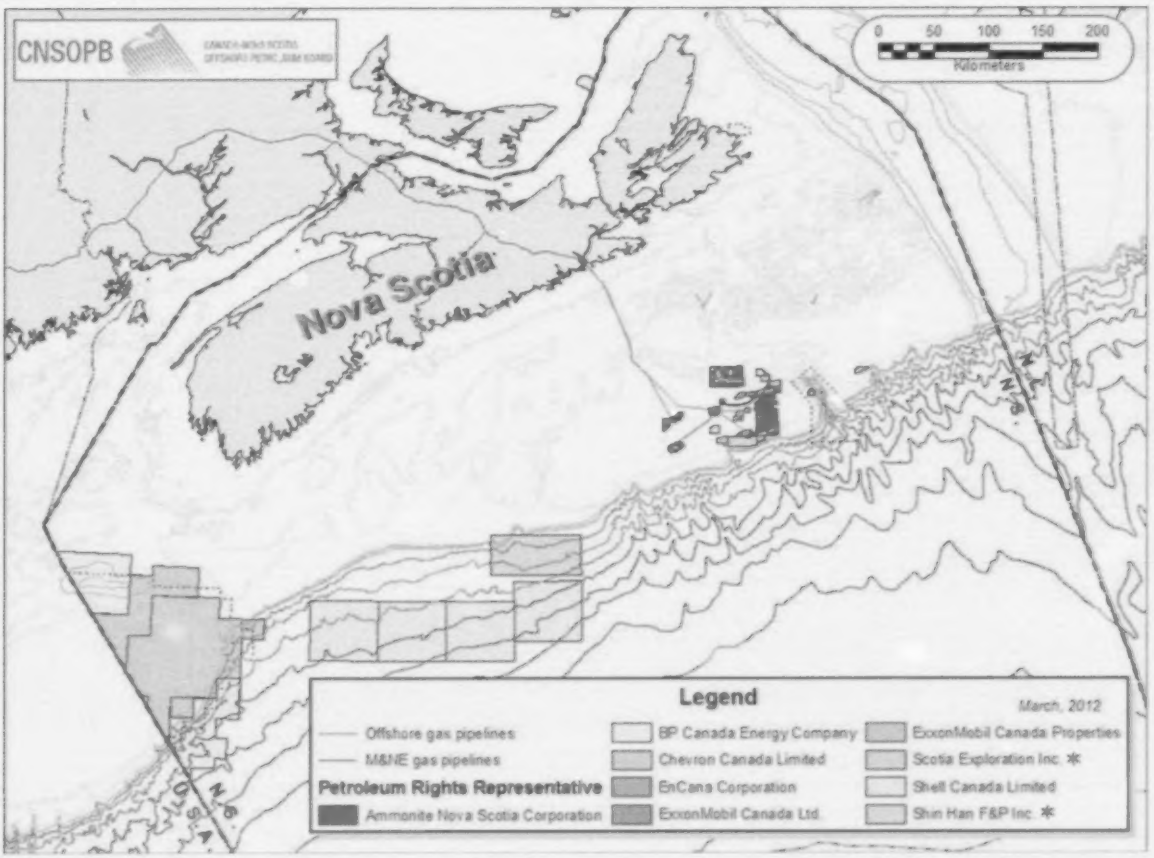
5.4.2 Public Registry of Instruments & Interests

The Board maintains a public registry of offshore interests and instruments, as required in the Accord Acts. This is the official record of rights holders, and any transfer of rights or change of ownership must be registered. The public may access the Registry in person at the Board's Halifax office, or online on the Board's website.

5.4.3 Interests

Figure 10 shows the active licences offshore Nova Scotia as of March 31, 2012.

FIGURE 10: ACTIVE LICENCES OFFSHORE NOVA SCOTIA (AS OF MARCH 31, 2012)



* Licences currently subject to cancellation.

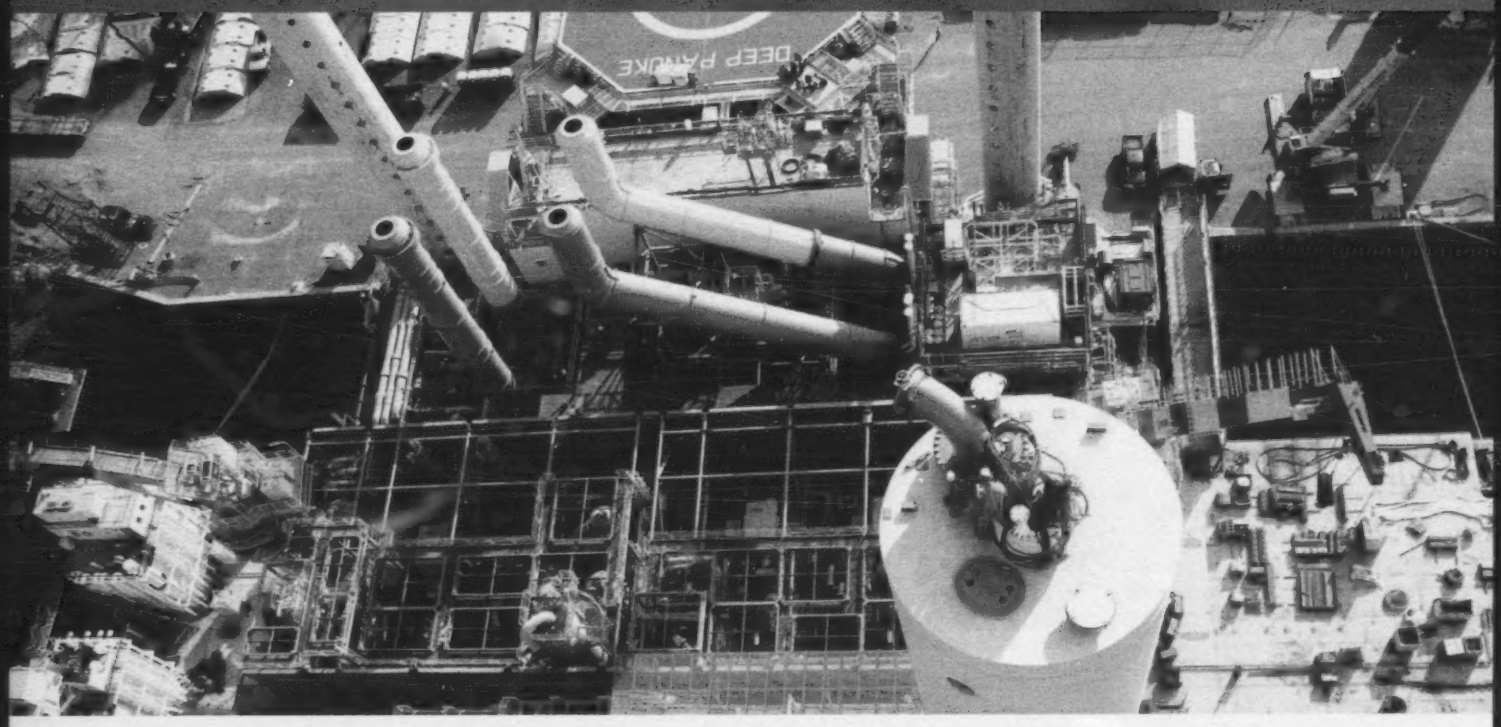
FIGURE 11: ACTIVE EXPLORATION LICENCES

EL NO.	EFFECTIVE DATE	REPRESENTATIVE	WORK EXPENDITURE BID
2417	15-Sep-2008	Ammonite Nova Scotia Corporation	$103,100,000
2418	15-Sep-2008	Ammonite Nova Scotia Corporation	$113,700,000
2419*	01-Jan-2009	Scotia Exploration Inc.	$7,871,174
2420*	01-Jan-2009	Shin Han F&P Inc.	$129,000,000
2423	01-Mar-2012	Shell Canada Limited	$1,756,450
2424	01-Mar-2012	Shell Canada Limited	$303,078,225
2425	01-Mar-2012	Shell Canada Limited	$235,025,888
2426	01-Mar-2012	Shell Canada Limited	$430,139,437

* Licences currently subject to cancellation.

FIGURE 12: ACTIVE SIGNIFICANT DISCOVERY LICENCES

INTEREST REPRESENTATIVE	NUMBER OF SDLS
ExxonMobil Canada Properties	22
ExxonMobil Canada Ltd	3
Shell Canada Limited	6
Encana Corporation	1
BP Canada Energy Company	1



5.4.3.1 Call For Bids

At any time during the year, industry may nominate offshore land parcels for potential exploration. Nominated parcels are reviewed on December 1 to determine whether any will be included in a future Call for Bids. The Board can also post lands for inclusion in a Call for Bids.

There are presently three areas where nominations will not be accepted: the Georges Bank Prohibition Zone, the Sable Gully Marine Protected Area and the Donkin Block Prohibited Area. Call for Bids NS11-1 was held in fiscal year 2011-12.

Call for Bids NS11-1

Call for Bids NS11-1 was announced on June 30, 2011 and closed on January 10, 2012. This Call consisted of four industry nominated and four non-industry nominated deep water parcels located on a largely unexplored part of the Scotian margin. Board staff prepared an in-depth regional and subregional geological and geophysical analysis of each parcel. This information was made available through the Board's website. Shell Canada Limited was the successful bidder on four parcels, with Work Expenditure Bids totalling $970,000,000.

5.4.3.2 Exploration Licences

At the end of fiscal 2011-12, there were eight active Exploration Licences for offshore Nova Scotia, with total original Work Expenditure Bids of approximately $1,323,671,174.

The term of an Exploration Licence (EL) is nine years, consisting of two consecutive periods referred to as Period 1 and Period 2. In order for an EL to enter Period 2 a validation well must be drilled or commenced ('spudded') in Period 1.

Revised Guidelines on the Issuance of Exploration Licences

The Guidelines were originally issued in 1993 and a revision was necessary based upon the results of a review of the Board's current practices and processes in respect of rights management. The CNSOPB revised the guidelines in consultation with the public, industry and governments. The revised guidelines were finalized in January 2012.

Significant changes to these Guidelines include:

- Reference to terms and conditions found in recent Calls for Bids;
- Period 1 is changed from five to six years;
- A possible pre-qualification requirement for the bidder and/or licence holders;
- An annual Call for Bids cycle rather than semi-annual, and;
- The establishment of a rolling three-year forecast for Board-posted Calls for Bids lands.

Standard EL terms and conditions require the interest owner of an EL to post security at the beginning of the term, that being a Work Deposit for 25% of the Work Expenditure Bid on the licence. This Work Deposit is refundable through approved allowable expenditures as the interest holder spends money on exploration of the licence. Allowable expenditures are described in each exploration licence. The minimum Work Expenditure Bid will be specified in the Call for Bids.

Licences may be issued under Alternative terms and conditions that were originally announced in 2007. They provide flexibility to explorers by lowering the cost of entry, deferring large upfront deposits and encouraging early exploration.

For ELs issued with the Alternative terms and conditions, the minimum Work Expenditure Bid may be lowered and the required Work Deposit does not need to be posted until the end of the third anniversary of the licence. An additional deposit known as the Licence Deposit is required upfront in the amount specified in the Call for Bids. As well, an acceptable work plan is required within 90 days of the issuance of the EL and this must be updated annually. Failure to submit an acceptable work plan may result in the revocation of the EL.

In accordance with the terms and conditions of ELs, rentals are to be paid annually, in advance, at a specific rate for each year of Period 2. The rentals may be refunded upon application of approved allowable expenditures incurred during Period 2. Failure to pay rentals will result in cancellation of the EL.

No Exploration Licences attracted rentals during fiscal 2011-12. Active ELs at the end of fiscal 2011-12 are shown in **Figure 11** and encompass a total area of **1,816,667 hectares**.

5.4.3.3 Significant Discovery Licences

A Significant Discovery Licence (SDL) is an intermediate interest designed to maintain an explorer's rights during the period between the first discovery and eventual production. The term of such a licence continues so long as the underlying Significant Discovery Area remains valid.

There are currently 33 SDLs offshore Nova Scotia, covering an area of 76,680 hectares. The breakdown of interest representatives for these SDLs is noted in **Figure 12**.

5.4.3.4 Production Licences

A Production Licence (PL) is issued for any portion of the offshore area showing a commercial discovery. Such licences have a term of 25 years, but may be extended if commercial production is continuing or is likely to recommence. There are 11 PLs offshore Nova Scotia with a total area of 39,441 hectares.

PL 2901 and 2902, were issued for the Cohasset-Panuke offshore oil project. Production from Cohasset-Panuke ended in 1999. PL 2909, 2910, and 2911 were issued to Encana Corporation for the Deep Panuke Project. PL 2903, 2904, 2905, 2906, 2907 and 2908 are registered to ExxonMobil Canada Ltd. as the interest representative for the Sable Offshore Energy Project.

5.4.4 Third International Upstream Forum

The CNSOPB participated in the 3rd International Upstream Forum, which was held September 2011 in St. John's, Newfoundland and Labrador. This forum brings together representatives from a number of international regulators and government departments to discuss matters of common interest related to oil and gas resource management. Forums such as this assist the Board in formulating policy and facilitate the development of regulatory best practices. The focus of the Forum was to review and discuss recent major global offshore oil and gas events; examine industry progress and new technologies; and consider potential future implications for resource management policies and practices. Discussion also confirmed that a vision, strategy and action plan for the Forum will be further developed.

5.5
Other Geoscience Initiatives

The Board continues its strong support for both internal and external geoscience research focusing on better understanding the petroleum geology of the Scotian Basin and other areas under its jurisdiction.

The Resources and Rights Group's geoscientists conduct ongoing technical studies and evaluations of the offshore basins, stratigraphic intervals and reservoirs. These initiatives provide the knowledge framework for resource and reserves assessments, potential exploration and production drilling and identifying areas that could be considered for future Board-directed Calls for Bids, as well as responding to those that may be nominated by industry.

Board geoscientists were key contributors to the development of the Province of Nova Scotia's recently released and well received Play Fairway Analysis (PFA). Board expertise was focused on technical studies of salt tectonism, deep water sedimentation, reservoir quality and distribution and basin tectonic evolution. The results of the PFA study have led to an updated understanding of the Scotian Basin's evolution and petroleum potential, with new play concepts developed and its petroleum potential and prospectivity quantified. Importantly, the study has identified a potential new exploration play in deep water that is interpreted to be oil-prone.

This new knowledge is integral to identifying areas for future Calls for Bids and industry exploration activities for both oil and gas. Board staff are disseminating results from their work at geoscience technical meetings around the world and are contributing to peer-reviewed publications.

Information inquiries and technical requests from external organizations are a key responsibility of Board technical staff. Annually, assistance on planning research programs and technical studies, data searches and related support is provided to industry, local and international geoscience consultancy firms, universities and research organizations. Several staff members support geoscience education at local universities through course lectures and labs, and provide mentorship and guidance to graduate students. The Board recognizes the importance of participation of staff in local, national and international geoscience societies as members and officers. In these positions, staff members assist with organizational growth, membership, professional and technical development, organization of conferences, peer review of technical papers and public outreach programs.

The Board highly values the opportunities that technical conferences and meetings offer as a means to disseminate knowledge and information generated by its staff, and in working with fellow provincial and federal geoscientists. The Board will have a strong presence at the third Central and North Atlantic Conjugate Margins Conference to be held in Dublin, Ireland in August 2012.

Board geoscientists also delivered the results of ongoing research studies at other technical conferences in Canada, the United States and the United Kingdom. Some of this research has been published in international scientific journals and books, and future contributions are planned.

6.0 INDUSTRIAL BENEFITS

INDUSTRIAL BENEFITS TEAM. *Kim Nauss and Charity Harrington.*

6.1 Legislation

The 1986 Accord Agreement outlined the objective that Nova Scotians and all Canadians continue to secure optimum benefits from petroleum resource activities in the Nova Scotia offshore area. This objective was solidified in Section 45 of the Accord Acts, which defines the method of accomplishing these optimum benefits. Specifically, the Accord Acts require that a Canada-Nova Scotia Benefits Plan be approved by the Board before an operator receives approval or authorization for any planned work or activity in the Nova Scotia offshore area.

To ensure optimum benefits, the statute requires that the Benefits Plan contain provisions that:

- The Operator will establish an office within the Province of Nova Scotia, where an appropriate level of decision-making authority will take place;
- Full and fair opportunity is afforded to Nova Scotians and other Canadians in respect of the competitive process surrounding the supply of goods and services required for the activity;
- First consideration is given to those goods and services that are manufactured within, or provided from Nova Scotia where those goods and services are materially equal on a competitive basis;
- First consideration is also provided to Nova Scotia residents in respect of training and employment opportunities that arise from the work or activity;
- The Operator will develop and carry out a program aimed at the promotion of Education & Training and Research & Development in petroleum resource activities in the Nova Scotia offshore area; and,
- The Operator will ensure that disadvantaged groups and individuals have access to training and employment opportunities, and the opportunity to participate in the supply of goods and services required for the work or activity.

Each plan is reviewed by staff to ensure the principles outlined in the Accord Acts are reflected and understood by all parties. This is an important aspect of the Board's ongoing monitoring of benefits plans and procurement activities.

In May 2011, the Board approved revised Canada-Nova Scotia Benefits Plan Guidelines. The revised guidelines consolidate current practices and processes with the historic guidelines and directives. During the reporting period, the Board continuously monitored the activities under the Benefits Plans for the two offshore development projects: Sable Offshore Energy Project and the Deep Panuke Offshore Gas Development.

6.2
Development Projects

6.2.1 Sable Offshore Energy Project

ExxonMobil, the operator of the Sable Offshore Energy Project, files an annual Benefits Report with the Board. As stated in the report submitted to the Board for the period ending December 31, 2011, the Sable Offshore Energy Project has spent $2.416 billion in Nova Scotia to date. In the rest of Canada, $1.082 billion has been spent with overall Canadian spending totalling $3.498 billion. Cumulatively, Nova Scotia person hours amounted to 21.23 million, while the rest of Canada totalled 3.4 million person hours.

2008-2012 SOEP R&D Plan

In 2008, the Board approved a five-year R&D Plan submitted by SOEP for the 2008-12 period. Within this approved plan, SOEP committed to spending a minimum of $3 million over the five-year period on eligible R&D initiatives, with no less than $300,000 being spent in any individual year. A sampling of the approved R&D initiatives undertaken during 2010 is included within the SOEP Benefits Report, which can be found on the Board website.

2013-2017 SOEP R&D Plan

In 2011, the Board approved the next five-year R&D Plan submitted by SOEP for the 2013-17 period. Within this approved plan, SOEP has committed to spend a minimum of $3 million over the five-year period on eligible R&D initiatives, with no less than $375,000 being spent in any individual year. A key initiative approved under this plan is the funding of a Centre of Excellence for Geoscience R&D at Dalhousie University. This initiative involves a cash grant contribution and provides Dalhousie researchers and their collaborators/co-authors access to the Sable Mega-Merge dataset, which is a compilation of 3D seismic surveys that cover a large portion of the Sable Subbasin.

6.2.2 Deep Panuke Offshore Gas Development

Encana, the operator of the Deep Panuke Offshore Gas Development, is required to file semi-annual benefits reports with the Board. According to the report submitted to the Board for the period ending December 31, 2011, cumulative Nova Scotia person hours amounted to 2.85 million, while the rest of Canada totalled 0.43 million.

Deep Panuke R&D Fund

Encana has committed to spending a minimum of 0.5% of the gross revenues from Deep Panuke over the life of the project on eligible Education and Training (E&T) and R&D initiatives. During the development phase, prior to production, the funds available each year for E&T/R&D are based on 0.5% of allowable capital costs in the previous calendar year.

In December 2011, Encana announced its third of four Calls for Proposals. The theme for the 2011 call was Geoscience. Past themes included Engineering (2009) and Safety & Risk (2010). It is expected that the final call, to be held later in 2012, will be in the area of Environment.

In addition to the R&D stemming from these Calls for Proposals, the Board has approved a number of other R&D and E&T initiatives funded by Encana. A sampling of the approved E&T/R&D initiatives undertaken during 2011 is included within the Deep Panuke Benefits Report, which can be found on the Board website.

6.3
Benefits Review Committee

In an effort to provide regular consultation with both the federal and provincial governments on Industrial Benefits matters, the Board chairs a Benefits Review Committee (BRC), composed of representatives from the Nova Scotia Department of Energy and Natural Resources Canada, as well as representatives from other federal and provincial agencies and departments as appropriate.

7.0 INFORMATION SERVICES

INFORMATION SERVICES TEAM. *Back group, left to right: Jason Butts, Nancy White, Debra Wheeler, John Martin, Anita Nicoll, Mary Joan Verrall, Colleen Garber, and Nancy Hynes. Front group: Troy MacDonald, Mary Noel, Debbie O'Brien.*

The Information Services Department is responsible for the management of the Board's geoscientific subsurface materials, corporate records and documents, and its computer systems and communication tools.

7.1 Geoscience Data Management

The collection and curation of offshore petroleum data is essential to the Board's mandate. The Geoscience Research Centre (GRC) fulfills this responsibility by providing geological and geophysical information services to the public globally.

7.1.1 Geoscience Research Centre (GRC)

The Board's GRC and Data Management Centre (see 7.1.2) are located in Dartmouth, Nova Scotia. The public can access the GRC and support from its technical staff free of charge from Monday to Friday, 8:00 a.m. to 4:00 p.m.

The GRC facility archives all final well history, geological and well site survey reports. It is also used to archive and make available for study all subsurface samples, including cores, cuttings, fluids and related materials from petroleum exploration and development wells drilled in the Nova Scotia offshore area.

Data remains confidential for a period of time as specified in the Accord Acts. Once the confidential period has expired, information may be disclosed to the public. Users of the GRC include industry (local, national and international), government and academic organizations and drilling/service organizations.

CNSOPB MANAGEMENT TEAM. *Front row: Michael McPhee, Kim Nauss, Steve Bigelow, Troy MacDonald. Back row: Stuart Pinks, Keith Landra, Tanya Taylor White.*

7.1.2 Data Management Centre (DMC)

The Board's DMC is the first data management centre in North America to offer, free of charge, digital offshore petroleum data via its website. The DMC provides global access to quality data, significantly improving efficiency in obtaining and analyzing petroleum data, managing entitlements and reducing the cost of regulatory compliance for industry. Additional benefits of the DMC include prevention of data loss, reduction in data storage costs and facilitation of scientific research by regulatory boards, industry, governments and universities.

The DMC provides for the loading, management, and distribution of petroleum data. It is currently managing and distributing the following petroleum data: well data (e.g., logs, reports and LAS files); seismic image files (e.g., PDF); Geographic Information System data (e.g., licences, wells, bathymetry, etc.) and production data. As of March 2012, complete data sets for 207 wells offshore Nova Scotia and 24 data sets from wells in other jurisdictions are available via the Board's DMC website.

Complete data sets for 432 seismic programs have also been loaded into the DMC. This initiative is ongoing. Along with PDF images available in the DMC, two seismic programs (8620-N011-001E and NS24-N011-001E) with full SEGY (standard file format for seismic data), SEGD (standard file format for seismic field data) and gathers are available on the DMC File Transfer (FTP) site.

The DMC has 400 registered users, of which 39% are Industry (local, national and international), 21% are from government/academic organizations, and 40% are from drilling/service organizations. Many clients use the DMC website to perform research prior to visiting the facility.

7.2 Corporate Records

Recognizing the need to manage the explos ve growth of electronic information, the Board has implemented significant changes to its records management system. An internal review of the Board's current records management system resulted in updated policy and procedures, and the acquisition of an Electronic Document Records Management System. This new system will standardize how the Board's information is maintained, resulting in improved compliance, searchability of content, and processing information requests. The software implementation plan will begin in the next fiscal year.

7.3 Website Redesign

The design of the Board's websites (main and DMC) was updated to enhance functionality, content and usability. The websites are used by stakeholders from around the world and provide accurate and up to date information on offshore Nova Scotia activity and production, geoscience data and application processes.

8.0 REGULATORY MODERNIZATION

The Board is committed to **continuous improvement** of the regulatory framework that governs offshore oil and gas activities. Board staff members continue to assist the provincial and federal governments as they finalize proposed amendments to the Accord Acts regarding offshore **Occupational Health and Safety (OHS)**. Assistance was provided throughout the year in further revising the proposed legislative amendments.

The Board also continues to support the federal, provincial and territorial governments' initiative to update and modernize the existing suite of petroleum regulations under the Accord Acts. Modernizing these regulations will support the offshore oil and gas industry's continued growth and contribution to Nova Scotia's and Canada's economy and competitiveness, while maintaining the highest standards for safety, environmental protection and management of resources.

The Board remains active in developing and modernizing a number of guidelines and other regulatory documents to assist operators in interpreting and achieving regulatory compliance.

They include:

- The release of approved Safety Plan Guidelines, Environmental Protection Plan Guidelines and Drilling and Production Guidelines. These reflect the experience gained through use of previously issued draft documents;
- Revised Measurement Guidelines that reflect the new sections of the Nova Scotia Offshore Petroleum Drilling and Production Regulations, which were developed jointly with the C-NLOPB;
- Revised Guidelines on the Issuance of Exploration Licences to reflect current rights management practices and processes;
- A review of the Financial Responsibility Guidelines jointly with the C-NLOPB, taking into account the impact of the Macondo incident in the Gulf of Mexico;
- Revised Guidelines for the Reporting and Investigation of Incidents jointly with the C-NLOPB to improve clarity and align with the Drilling and Production Regulations; and
- Significant progress in the development of MOUs with Transport Canada (Marine Security), Transport Canada (Marine Safety) and the Coast Guard to clarify roles and responsibilities in Nova Scotia's offshore area.

9.0 ADMINISTRATION

Pursuant to the Accord Acts, the Board appointed new Officers in 2011-12. These individuals are members of the CNSOPB Operations/Health, Safety and Environment Group and Resources and Rights Group.

New Officers in 2011-2012

Keith Landra
re-appointed Safety Officer and Alternate Chief Safety Officer

Joachim Pektzilikoglou
appointed Safety Officer

Gerald Sheehan
re-appointed Alternate Chief Safety Officer

Carl Makrides
re-appointed Alternate Chief Conservation Officer

Robert Normore
re-appointed Safety Officer

Employee Achievements and Milestones

The Board recognizes Mary Noel for 20 years of service.

The Board extends congratulations to Mark Deptuck. One of his 2007 *Marine and Petroleum Geology* articles is ranked the third most-cited publication in the journal since 2007.

The CNSOPB Congratulates Tim Brownlow on receiving the Maritimes Energy Association 2012 Energy Pioneer Award in recognition of his lengthy career in the energy industry and his particular contributions to establishing regulations and policy for the offshore industry in Nova Scotia.

Congratulations to Elizabeth MacDonald on her Environmental Professional Certification.

Congratulations to Patricia Whittle on her Certificate in Advanced ISO Implementation and Management.

Congratulations to Tanya Taylor White on the completion of the Queen's School of Business Human Resources Program.

New Staff Members

A special welcome to Joachim Pektzilikoglou to the OPS/HS&E Team and Debbie O'Brien to our Information Services Department.

Retirements

Best wishes to Diana Dalton and Debbie Mountenay who retired from the Board this year.

Ms. Dalton retired from the Board after serving as Board Member, Chair and Acting CEO for a part thereof. Ms. Dalton was instrumental in establishing the Board's Digital Management Centre (DMC), which was the first of its kind in North America. Ms. Dalton was very supportive of the Board's geoscience research. The results of this research led the Board to post its own internal parcels in Call for Bids NS07-1. The detailed geoscience and information package associated with this Call and future Calls for Bids was very well received worldwide.

THE HR & ADMINISTRATION TEAM. *Left to right: Theresa MacLeod, Karen Simpson, Tanya Taylor White, Patricia Whittle, Tara Jennings. Not Pictured: Shelley Phinney.*

The Board is very pleased that Ms. Dalton will continue to keep her knowledge of the offshore industry and her flair for international policy within Atlantic Canada in her new role as Deputy Minister with the Newfoundland and Labrador Department of Natural Resources.

Ms. Mountenay served the Board for ten years as Director of Industrial Benefits and Manager of Administration. Ms. Mountenay was instrumental in establishing the Board's Industrial Benefits program as well as developing the Board's Human Resources and Quality Management Systems.

9.1
Joint Occupational Health and Safety Committee (JOHSC)

The JOHSC is committed to playing a vital role in workplace health and safety by providing the Board and its employees with advice on health and safety issues. The Board understands and values that healthy employees are productive employees. To that end, the Board is committed to enhancing overall wellness and providing a safe and healthy workplace.

JOHSC activities in 2011-12 included various health and wellness initiatives, First Aid/CPR recertification, workplace safety inspections and reviews of the Internal Occupational Health and Safety Program and Safe Work Procedures.

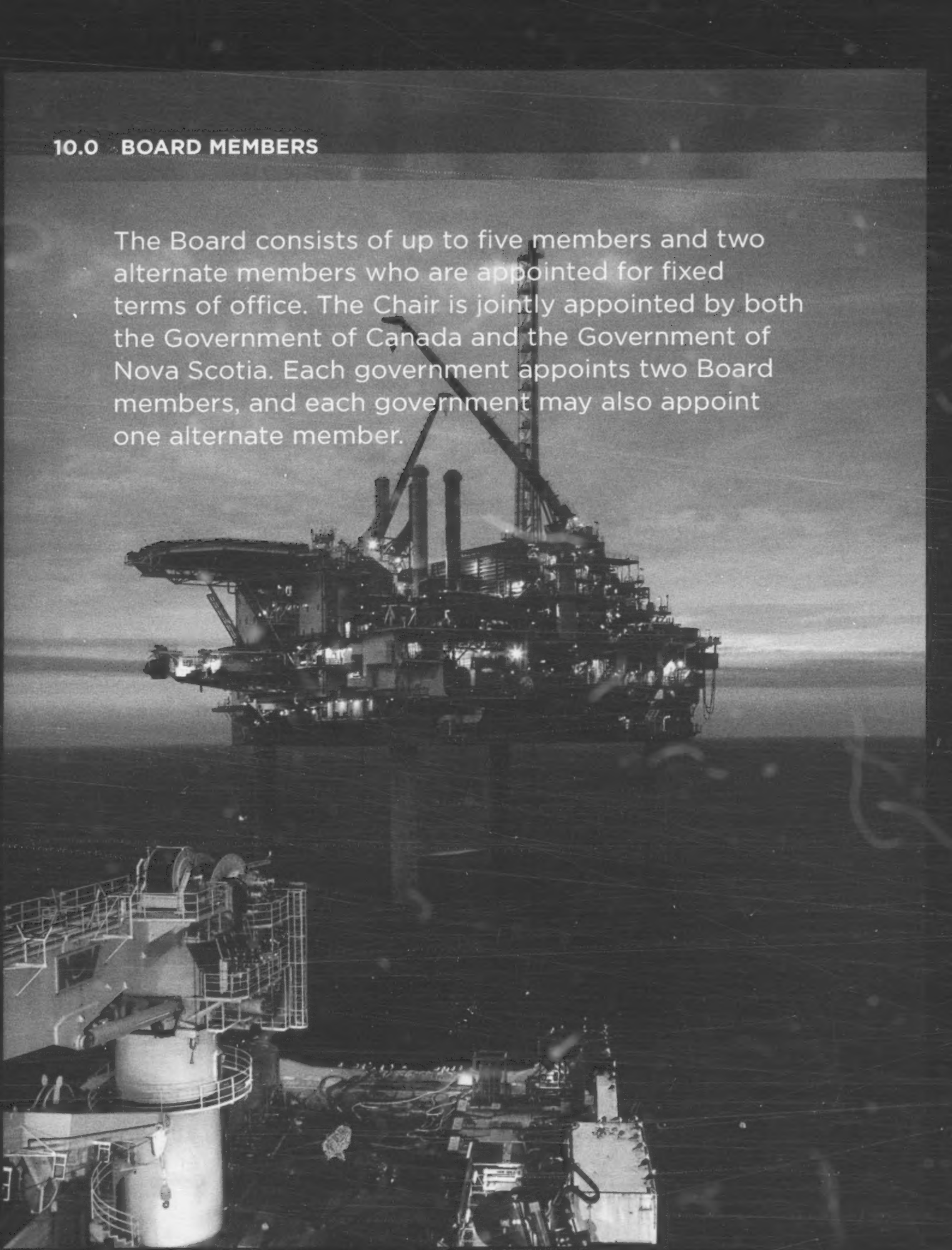
9.2
Royalties

The Province of Nova Scotia has an offshore petroleum royalty regime that is based upon revenues and profits. The provincial regime provides arrangements for the currently producing Sable Offshore Energy Project and the Deep Panuke Project, which is currently under development, as well as a generic formula for future projects.

In fiscal year 2011-12, the Board received confirmation from the Sable Offshore Energy Project Operator and Partners that $156,588,886.56 was submitted to the Receiver General for Canada in respect of production for Licences 2903 (Venture), 2904 and 2905 (Thebaud), 2906 (North Triumph), 2907 (Alma) and 2908 (South Venture).

10.0 BOARD MEMBERS

The Board consists of up to five members and two alternate members who are appointed for fixed terms of office. The Chair is jointly appointed by both the Government of Canada and the Government of Nova Scotia. Each government appoints two Board members, and each government may also appoint one alternate member.



Keith R. Evans, Q.C.
Acting Chair

Keith Evans is a practicing member of the Law Society of Alberta and a non practicing member of the NS Barristers' Society. He resides in Edmonton, Alberta, where he is Vice President, Legal for the STEP Oiltools BV group. From 2006 to earlier this year he was VP Legal for Lilydale Inc., and prior to that he served as the General Counsel for Scomi Group Berhad, a Malaysian public company. That group was involved in drilling fluid and waste management activities in the oil and gas sector worldwide. With this experience, Keith has been involved in many aspects of the oil and gas industry for over 15 years. He holds an LL.B. Degree from Dalhousie University and an LL.M from the University of Sydney, Australia. He originally started his legal practice in Halifax with what was then Cox, Downie, Nunn & Goodfellow, and also worked with Baker & McKenzie, the world's leading global law firm, in their Singapore Office. He was a member of the full-time faculty at the Law Schools of both the National University of Singapore and Dalhousie University. From 2002-06, he also served as President of the Nova Scotia Law Reform Commission.

Mr. Evans assumed the Acting Chair position upon the retirement of Diana Dalton in September 2011.

Tim Brownlow
Board Member (Provincial)

Tim Brownlow is a government relations and business development executive with over thirty years of experience in the offshore oil and gas sector. He is currently Director of Government Affairs and Business Development with Irving Shipbuilding Inc., and worked with Kiewit Energy Canada Corporation as Business Development Manager in Calgary, Alberta. He began his offshore career in the oil and natural gas industry in 1978 working for the following companies: ODECO Drilling, Magcobar, and Rowan Companies Inc., both domestically and internationally.

Mr. Brownlow then joined the Nova Scotia Government in 1990, holding positions as Petroleum Operations Officer, Director of Benefits & Training and Chief Advisor for the Department of Natural Resources and the Offshore Energy Office. During Mr. Brownlow's offshore and government days he was fortunate to have been directly involved from the discovery phase through to the production phase for both the Sable Offshore Energy Project and the Cohasset-Panuke project. He has served on numerous boards and committees, including: the Premier's Energy Advisory Council, Chairman of the Offshore/Onshore Technologies Association of Nova Scotia, the Atlantic Energy Roundtable, seconded to the Grampian Regional Council (Aberdeen, Scotland), Associate Member for the World Energy Cities Council, and former Co-Chair for the Federal/Provincial Regulatory Review Committee.

Mr. Brownlow is a member of the Board's Health, Safety & Environment Committee and the Chair of the Board's HR Committee.

Brian Lewis
Board Member (Federal)

Brian Lewis graduated from Dalhousie University with a Bachelor of Commerce in 1982. He began his working career in Store Management with Lawton's Drugs. He started work in the offshore in 1984 working for Rowan Companies. Initially he worked in Offshore Nova Scotia and spent a year with Rowan in the Gulf of Mexico.

The final three years working with Rowan were on the Cohasset Panuke Project. He was Co-Chair of the Joint Occupational Health and Safety Committee during his final years in the offshore. In 1993 he started working for CFM, a division of J D Irving, in Dartmouth and was involved in supplying industrial products and services to all industries including the offshore. Products and services included hydraulic services and products, rigging gear and services including water weight crane testing, crane cables, industrial hose and many other related products and services. In 1998 CFM was awarded the hose supply contract for the Sable Offshore Project and maintained this contract without incident for eight years. Having worked in the offshore, Mr. Lewis has an understanding of the types of products and services needed to ensure that reliability and safety are never compromised. In 2008 he worked on contract as a Production Supervisor for Halifax Shipyards. He spent 20 months working at the Woodside Yard in Dartmouth on the offshore support vessel Chemul refit. He is now working for The Guildfords Group of Companies as their Manager in Central Nova Scotia. Mr. Lewis resides in Stellarton with his wife Christine and their two sons John and Tyler. He has always been active as a volunteer with minor hockey and baseball and served five years on the G. R. Saunders School Advisory Council.

Mr. Lewis is a member of the Board's Audit Committee and the Board's Health, Safety & Environment Committee.

Honourable Rodney J. MacDonald, E.C.N.S
Board Member (Federal)

The Honourable Rodney MacDonald was sworn in as Premier of Nova Scotia from February 2006 to June 2009. During this time he put in place two major agreements for Nova Scotia's offshore: The Crown Share—a $870 million agreement between the Government of Canada and Nova Scotia settling a decades long dispute; and the Deep Panuke Agreement—Nova Scotia's second major project for Nova Scotia's offshore. Mr. MacDonald was first elected to the Nova Scotia House of Assembly for the constituency of Inverness in July 1999, re-elected in 2003, 2006, and 2009. Portfolios held include: President of Executive Council; Minister of Intergovernmental Affairs; Minister of Tourism, Culture, and Heritage; Minister of Health Promotion; Minister of Immigration and Minister responsible for Nova Scotia Liquor Corporation, Youth Secretariat, Heritage Property Act. Mr. MacDonald received his Bachelor of Science in Physical Education from Saint Francis Xavier University in 1994. He was employed by the Strait Regional School Board 1994-1999. Mr. MacDonald is a musician (Violinist/Dancer) and is a two time East Coast Music Award Nominee. Presently, Mr. MacDonald is CEO of the Gaelic College located in St. Ann's, Cape Breton and is President and Owner of RMD Development Incorporated – a Consulting and Business Development Company.

Mr. MacDonald is a member of the Board's Audit Committee and the Board's HR Committee.

Doug Gregory
Alternate Board Member (Federal)

Doug Gregory's career with Shell Canada and Royal Dutch Shell spanned three decades. He began as an exploration geophysicist in Canada and would later work with Petroleum Development Oman, a joint venture company working in Muscat, Sultanate of Oman. After returning to Calgary and focusing on exploration in Western Canada, he went on to hold various management positions including: Exploration Research Manager at Shell Canada's Calgary Research Centre, Manager Geophysical Operations, and Manager, Safety and Environment providing technical support to Shell Canada's Upstream Operations. In 1999, Mr. Gregory moved to Halifax to open Shell Canada's exploration office, focusing on deepwater seismic exploration over the Nova Scotian slope (deep water) acreage. He retired as East Coast Manager in 2003. He has been active in various organizations including: Co-chair, Petroleum Fisheries Liaison Group Canadian Association of Petroleum Producers (CAPP) (2001-2003); Chair, Atlantic Canada Committee – CAPP (2001-2003); Director, Greater Halifax Partnership representing the Energy sector (2002-2004); and, President, Rotary Club of Halifax Northwest (2007-2008). He holds an M.Sc. in Microwave Physics (1970) from the University of Waterloo, Ontario and a B.Sc. Math & Physics (1969) from Sir George Williams University, Montreal. Mr. Gregory resides in Halifax, Nova Scotia.

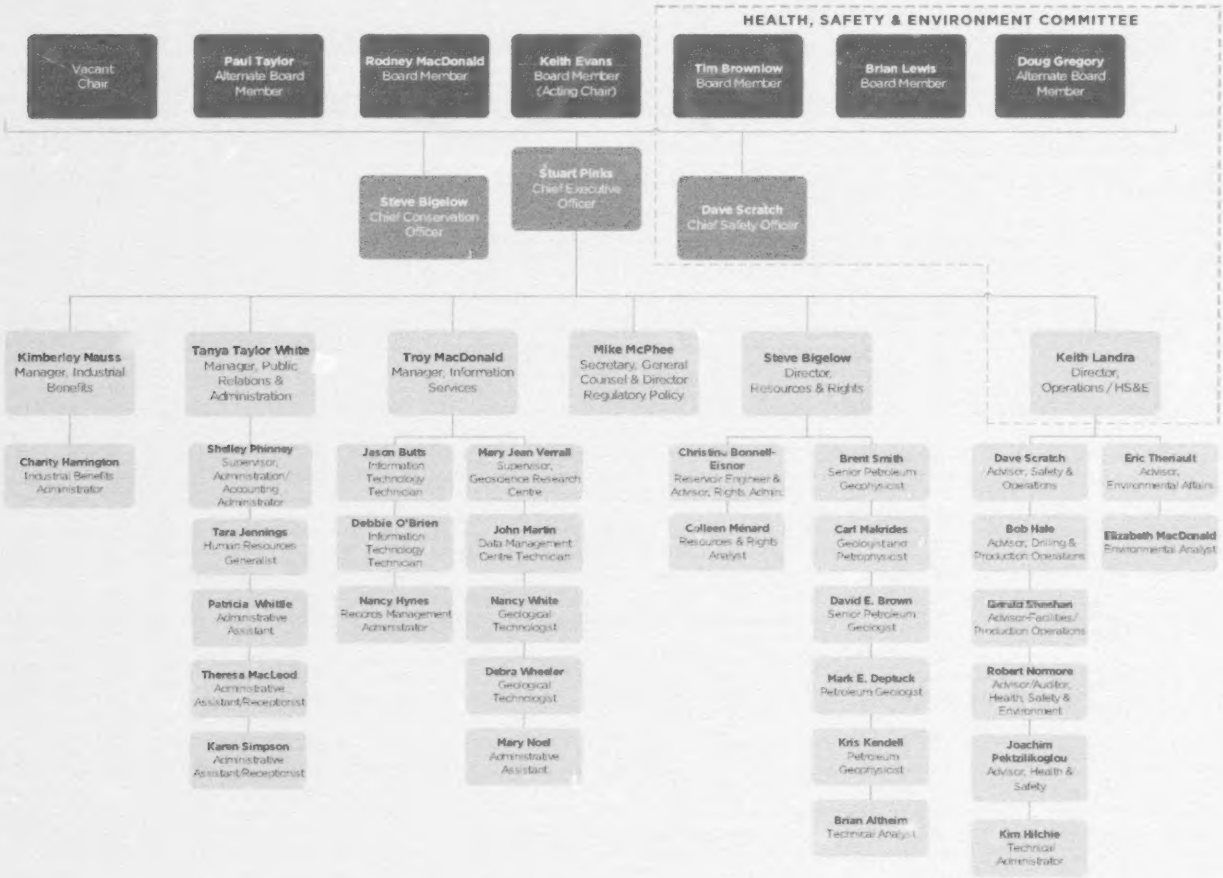
Mr. Gregory is Chair of the Board's Health, Safety & Environment Committee and a member of the Board's HR Committee.

Paul F. Taylor
Alternate Board Member (Provincial)

Paul Taylor retired from the Government of Nova Scotia after a 27 year career. A native of Nova Scotia, he spent several years as an exploration geologist in Western Canada before returning to join the Province in 1982. He held positions as Senior Policy Analyst with the Priorities and Planning Secretariat, Director of Energy Transportation and Utilization with the N.S. Petroleum Directorate and Executive Director of Policy with the Department of Energy, during which time he was responsible for development of the Province's new Energy Strategy. His last five years with the Province were spent as Deputy Minister of Economic Development. He has served in various capacities on the Boards of Nova Scotia Business Inc, InNOVAcorp, and the Greater Halifax Partnership, Chair of Deputy Ministers Forum on Sustainable Prosperity and Vice Commodore of the Armdale Yacht Club. He holds an Honours Degree in Geology from Dalhousie University and a Masters of Business Administration from the University of British Columbia. Mr. Taylor resides in Halifax, Nova Scotia.

Mr. Taylor is Chair of the Board's Audit Committee.

FIGURE 13: CNSOPB ORGANIZATIONAL STRUCTURE



11.0 FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

We have audited the accompanying financial statements, which comprise the statement of financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statement of operations and accumulated surplus, remeasurement gains (losses), changes in net financial assets (net debt) and cash flows for the years then ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, remeasurement gains (losses), changes in net financial assets (net debt) and cash flows for the years then ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Levy Casey Carter Maclean

Halifax, Nova Scotia
May 14, 2012

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2012

	March 31 2012	March 31 2011 (restated - note 3)	April 1 2010 (restated - note 3)
FINANCIAL ASSETS			
Cash	$ **1,869,994**	$ 1,773,072	$ 1,835,960
Receivables, trade	**5,870**	96,998	90,626
Investments (note 2(i))	**1,782,883**	1,569,388	1,400,423
	3,658,747	3,439,458	3,327,009
LIABILITIES			
Payables and accruals, trade	**998,184**	631,089	729,426
Payable to governments (note 4)	**806,490**	806,778	777,520
Deferred grants - GRC	**102,194**	102,194	102,194
Supplementary employee retirement plan obligation (note 5)	**530,687**	492,414	539,872
Post-retirement health and retiring allowance obligation (note 6)	**1,439,276**	1,331,233	1,200,925
	3,876,831	3,363,708	3,349,937
Net financial assets (net debt)	**(218,084)**	75,750	(22,928)
NON-FINANCIAL ASSETS			
Prepaid expenses	**235,232**	192,192	181,750
Tangible capital assets (page 19)	**386,095**	537,815	928,611
	621,327	730,007	1,110,361
Accumulated surplus	$ **403,243**	$ 805,757	$ 1,087,433
Accumulated surplus is comprised of:			
Accumulated operating surplus	$ **358,113**	$ 807,190	$ 1,087,433
Accumulated remeasurement gains (losses) (page 4)	**45,130**	(1,433)	–
	$ **403,243**	$ 805,757	$ 1,087,433

Contractual obligations (note 8)

Approved by the Board

Board Member

Board Member

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31, 2012

	BUDGET	2012	2011 (restated - note 3)
REVENUE			
Government grants			
Government of Canada	$ 3,450,000	$ 3,450,000	$ 3,350,000
Government of Nova Scotia	3,450,000	3,350,000	3,350,000
Costs recovered from industry	–	3,225,960	3,204,899
Interest and other	–	21,850	45,511
	6,900,000	10,047,810	9,950,410
EXPENSES			
Costs recoveries refunded to government (page 20)	–	3,225,960	3,204,898
Regulation of petroleum activities (page 20)	6,900,000	6,585,850	6,225,128
	6,900,000	9,811,810	9,430,026
Operating surplus before other items	–	236,000	520,384
Amortization of tangible capital assets (page 19)	–	(195,755)	(277,829)
Amortization of GRC tangible capital assets (page 19)	–	(124,665)	(174,631)
Net investment income	–	51,165	36,203
Repayment to Government of Canada	–	(207,911)	(192,185)
Repayment to Government of Nova Scotia	–	(207,911)	(192,185)
	–	(685,077)	(800,627)
Operating deficit	–	(449,077)	(280,243)
Accumulated surplus, beginning of year	–	807,190	1,087,433
Accumulated surplus, end of year	$ –	$ 358,113	$ 807,190

STATEMENT OF REMEASUREMENT GAINS (LOSSES)

YEAR ENDED MARCH 31, 2012

	2012	2011
Accumulated remeasurement losses, beginning of the year	**$ (1,433)**	$ —
Unrealized gain (loss) arising during the year on investments	**46,563**	(1,433)
Accumulated remeasurement gains (losses), end of year	**$ 45,130**	$ (1,433)

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (NET DEBT)

YEAR ENDED MARCH 31, 2012

	2012	2011
Operating deficit	**$ (449,077)**	$ (280,243)
Change in tangible capital assets		
Acquisition of tangible capital assets	**(160,420)**	(61,659)
Acquisition of GRC tangible capital assets	**(8,281)**	–
Amortization of tangible capital assets	**195,755**	277,829
Amortization of GRC tangible capital assets	**124,665**	174,631
Increase in tangible capital assets	**151,719**	390,801
Change in other non-financial assets		
Acquisition of prepaid expense	**(43,039)**	(10,447)
Net remeasurement gains (losses) (page 4)	**46,563**	(1,433)
Increase (decrease) in net financial assets (net debt)	**(293,834)**	98,678
Net financial assets (net debt), beginning of the year	**75,750**	(22,928)
Net financial assets (net debt), end of the year	**$ (218,084)**	$ 75,750

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Operating deficit	$ **(449,077)**	$ (280,243)
Amortization of tangible capital assets	**195,755**	277,829
Amortization of GRC tangible capital assets	**124,665**	174,631
Supplementary employee retirement plan cost (note 5)	**38,273**	(47,458)
Post-retirement health and retiring allowance cost (note 6)	**108,043**	130,308
	17,659	255,067
Net change in non-cash working capital balances related to operations (note 7)	**415,376**	(85,898)
	433,035	169,169
INVESTING ACTIVITIES		
Redemption of guaranteed investment certificate	**–**	1,400,423
Increase in accrued interest on investments	**(139)**	(19,953)
Purchase of investments	**(387,714)**	(1,682,714)
Proceeds on disposal of investments	**223,603**	132,016
	(164,250)	(170,228)
CAPITAL ACTIVITIES		
Purchase of		
Leasehold improvements	**(37,856)**	(8,760)
Furniture and equipment	**(4,065)**	(5,759)
Computer equipment	**(76,365)**	(38,599)
Computer equipment - GRC	**(8,281)**	–
Computer software	**(42,134)**	(8,541)
	(168,701)	(61,659)
Increase (decrease) in cash during year	**100,084**	(62,718)
Cash, beginning of year	**1,773,242**	1,835,960
Cash, end of year	$ **1,873,326**	$ 1,773,242
Represented by:		
Cash	$ **1,869,994**	$ 1,773,072
Investment cash	**3,332**	170
	$ **1,873,326**	$ 1,773,242

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The Board also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 50% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

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2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for government agencies as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). This is the first time that the Board has prepared its financial statements in accordance with Public Sector Accounting Standards (PSA), having previously prepared its financial statements in accordance with CICA Accounting Handbook – Part V. Details of how the transition from CICA Accounting Handbook – Part V to PSA has affected the financial position, financial performance and cash flows of the Board are disclosed in note 3.

The financial statements have been prepared using the following significant accounting policies:

(b) Cash and cash equivalents

Cash and cash equivalents include balances with banks and cash held within the investment portfolio.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial assets or net debt for the year.

(d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the tangible capital asset. The Board capitalizes assets with a value greater than $2,500 and a useful life greater than one year. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

2. Significant accounting policies (continued)

(e) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The supplementary employee retirement plan obligation and the post-retirement health and retiring allowance obligation are items requiring the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(f) Revenue recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Government transfers are recognized when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled. Cost recoveries from industry are recognized when invoiced. Investment income is recorded as earned.

(g) Supplementary employee retirement plan obligation

The projected benefit method prorated on services has been used to determine the accrued benefit obligation and current service cost. The objective under this method is to expense each participant's benefits under the plan as they would accrue, taking into consideration future salary increases and the plan's benefit allocation formula.

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

The Board's fiscal year end date is March 31 and the measurement date of the plan's assets and obligations is March 31.

(h) Post-retirement health and retiring allowance obligation

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

2. Significant accounting policies (continued)

Obligations are attributed to the period beginning on the member's date of hire and ending on the date the member reaches first full year of eligibility for benefits for the post-retirement health program and date of retirement for the retiring allowance program.

The Board's fiscal year end date is March 31 and the measurement date of the programs' obligations is March 31.

(i) Investments

The Board has internally restricted an investment portfolio to fund the Board's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

(j) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized. When the financial instrument is derecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, payable to governments, supplementary employee retirement plan obligation and post-retirement health and retiring allowance obligations are recorded using the cost method. Cash and investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

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3. First-time adoption of accounting standards for the public sector

In previous fiscal years, the Board classified itself as a Government Not-for-Profit organization and has followed the recommendations of the CICA Accounting Handbook — Part V. PSAB determined that for fiscal years ending on or after January 1, 2011 government organizations are required to classify themselves in accordance with the new recommendations of the PSA Handbook. The Board has determined that it is an other government organization (OGO) and has determined that PSA is the most appropriate framework for reporting purposes.

The adoption of PSA is accounted for by retroactive application with restatement of prior periods. Although minor quantitative balances have changed, the following is a summary of the main qualitative differences for the Board between its previous and current financial statements.

- The March 31, 2011 Statement of Financial Position is now segregated into financial and non-financial assets as well as the net debt (liabilities less financial assets) of the Board; and accumulated surplus/deficit at the Statement of Financial Position date.

- The Statement of Revenue and Expenditures for the year ended March 31, 2011 has been replaced by the Statement of Operations and Accumulated Surplus, reporting both revenue and expenses.

3. First-time adoption of accounting standards for the public sector (continued)

- A Statement of Remeasurement Gains (Losses) has been presented, which represents the unrealized gains and losses in financial assets as a result of recording certain financial assets at fair value.

- A Statement of Changes in Net Financial Assets (Net Debt) has been presented, which represents the expenditures of a public sector reporting entity less revenue, as well as acquisitions of tangible capital assets and other items explaining the difference between the surplus/deficit of the year and the change in net debt for the year.

These are the Board's first financial statements prepared in accordance with the Public Sector Accounting Standards. Accordingly, the transitional provisions of the CICA PSA Handbook Section 2125, *First-time Adoption by Government Organizations* have been applied. The Board's date of transition to these new standards was April 1, 2010. Section 2125 of the PSA Handbook provides for certain optional exemptions and mandatory exceptions for first-time adopters.

The Board applied the following optional exemptions and mandatory exceptions in the conversion from the CICA Accounting Handbook — Part V to Public Sector Accounting Standards:

(a) Optional exemptions

Pension, post-retirement and post-employment benefits
Under Section PS 3250 for retirement benefits, and PS 3255 for post-employment benefits, compensated absences and termination benefits, a government organization amortizes actuarial gains and losses to the liability or asset, and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group or a reasonable future period for plans with no active members. Retroactive application of this approach requires a government organization to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSA Standards into a recognized portion and an unrecognized portion. However, a first-time adopter may elect to recognize all cumulative actuarial gains and losses as the date of transition to PSA Standards directly in accumulated surplus. The Board has elected to do this. This election resulted in a decrease in accumulated surplus of $30,590 at the date of transition. This election has been applied to all plans in accordance with PS 2125.10.

(b) Mandatory exceptions

Accounting estimates
The estimates previously made by the Board under the CICA Accounting Handbook — Part V were not revised for the application of Public Sector Accounting Standards except where necessary to reflect any difference in accounting policy or when there is objective evidence that those estimates were in error. As a result, the Board has not used hindsight to revise estimates.

3. First-time adoption of accounting standards for the public sector (continued)

The adoption of the Public Sector Accounting Standards resulted in the following impact on the previously reported financial statements:

	March 31 2011	April 1 2010
Accumulated surplus, as reported in accordance with CICA Accounting Handbook - Part V	$ 450,591	$ 384,369
Recognition of revenue for deferred capital grants related to tangible capital assets (note (i))	335,271	551,437
Recognition of revenue for deferred capital grants related to GRC tangible capital assets (note (i))	202,543	377,174
Recognition of unamortized actuarial loss relating to supplementary employee retirement plan obligation (note (ii))	–	(41,311)
Increase in supplementary employee retirement plan obligation due to change in discount rate (note (ii))	(76,799)	(103,301)
Recognition of unamortized actuarial gain relating to post-retirement health and retiring allowance obligation (note (ii))	–	10,721
Increase in post-retirement health and retiring allowance obligation due to change in discount rate (note (ii))	(60,999)	(73,340)
Recognition of sick time liability (note (iv))	(44,850)	(18,316)
Accumulated surplus, as reported in accordance with Public Sector Accounting Standards	$ 805,757	$ 1,087,433

3. First-time adoption of accounting standards for the public sector (continued)

Operating surplus, March 31, 2011 as previously reported in accordance with CICA Accounting Handbook – Part V	$ 415,822
Government grants for tangible capital assets (note (i))	61,659
Amortization of deferred capital grants (note (i))	(277,829)
Amortization of deferred GRC grant (note (i))	(174,631)
Decrease in supplementary employee retirement plan cost (note (ii))	67,813
Decrease in post-retirement health and retiring allowance cost (note (ii))	1,623
Recognition of sick time liability (note (iv))	(26,533)
Net investment income	36,203
Repayment to Government of Canada	(192,185)
Repayment to Government of Nova Scotia	(192,185)
Operating deficit, March 31, 2011 as reported in accordance with Public Sector Accounting Standards	$ (280,243)

(i) Deferred capital funding

Under the Board's previous framework, government transfers received for the purpose of purchases of capital assets were deferred and amortized to income at the same rate the asset was amortized.

However, under PSA Standards, government transfers for the purpose of purchases of capital assets are recognized as revenue when the related assets are acquired, unless stipulations by the transferor give rise to an obligation that meets the definition of a liability. Since, there are no stipulations imposed by the transferor to the Board's funding for capital assets, an adjustment of $928,611 at April 1, 2010 and an adjustment of $537,814 at March 31, 2011 was made to de-recognize the deferred capital funding liability, with an offsetting adjustment to accumulated surplus. As well, at March 31, 2011 an adjustment was made to operating deficit to decrease revenue by $390,801 which resulted in a corresponding increase in accumulated surplus for the year ending March 31, 2011.

3. First-time adoption of accounting standards for the public sector (continued)

(ii) Unamortized actuarial gains and losses and impact of remeasurement at the date of transition

The Board has decided to take the election under PS 2125 *First-time adoption by Government Organizations* and recognize all unamortized actuarial gains and losses directly in accumulated surplus. The unamortized actuarial gain (loss) as of the date of transition for the supplementary employee retirement plan obligation was $(41,311) and for the post-retirement health and retiring allowance obligation was $10,721.

The Board has elected not to defer the change in discount rates required under the PSA Standards. Therefore, in addition to the gains and losses mentioned above, changes to the asset valuation and assumptions due to the adoption of the PSA Standards, as well as changes in the value of the pension obligation due to the availability of a new actuarial valuation have resulted in additional gains and losses at the time of adoption of the PSA Standards. An adjustment of $76,799 at March 31, 2011 and $103,301 at April 1, 2010 was made to increase the supplementary employee retirement plan obligation and an adjustment of $60,999 at March 31, 2011 and $73,340 at April 1, 2010 was made to increase the post-retirement health and retiring allowance obligation, with corresponding adjustments to accumulated surplus as at March 31, 2011 and April 1, 2010, respectively.

(iii) Actuarial gains and losses arising subsequent to the date of transition

Under the Board's previous accounting framework, actuarial gains and losses for pension benefits, and other non-pension post-retirement and post-employment benefits were amortized over the average remaining service period of active employees expected to receive benefits under the plan or over the average remaining life expectancy of employees in the case when all, or almost all of the employees are no longer active.

However, under PSA Standards, actuarial gains and losses are to be amortized over the expected average remaining service life of the related employee group expected to receive benefits under the plan or another reasonable future period. Under Section PS 3255, actuarial gains and losses may be amortized over a period linked to the type of benefit.

For pension and other non-pension post-retirement benefit plans in which the related employee group is no longer active, actuarial gains and losses are amortized over the average life expectancy of the plan members.

(iv) Sick time liability

Under the Board's previous accounting framework, sick time earned by Board employees that accumulated was not required to be accrued and presented as a liability in the financial statements. Rather, it was disclosed as a contingent liability in the notes to the financial statements. However, under PSA Standards, sick time that accumulates should be recognized as a liability and an expense in the period in which the employees render the services to the organization in exchange for the benefit. As a result, an adjustment was made to increase payables and accruals at April 1, 2010 by $18,316 with a corresponding adjustment to accumulated surplus. At March 31, 2011 an adjustment was made to increase payables and accruals by $44,850 and increase expenses by $26,533, with corresponding adjustments to accumulated surplus.

4. Payable to government

	2012	2011	April 1 2010
Federal government — cost recovery funds	$ **444,671**	$ 403,389	$ 388,760
Provincial government — cost recovery funds	**361,819**	403,389	388,760
	$ **806,490**	$ 806,778	$ 777,520

5. Pension obligations

(a) Supplementary employee retirement plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the retirement plan for funding purposes was as of March 31, 2011 and extrapolated to March 31, 2012. An updated actuarial valuation will be done at least every three years.

The Board has adopted the recommendations of Section 3250 of the Public Sector Accounting Standards Handbook. The following is required for disclosure purposes:

	2012	2011	April 1 2010
COMPONENTS OF SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN COST (RECOVERY)			
Current service cost	$ **25,592**	$ 19,656	$ –
Interest cost	**23,877**	22,535	–
Plan amendments	**–**	(77,813)	–
Amortization of net actuarial losses	**876**	–	–
Supplementary Employee Retirement Plan Cost (Recovery)	$ **50,345**	$ (35,622)	$ –
WEIGHTED-AVERAGE ASSUMPTIONS FOR EXPENSE			
Discount rate	**4.75%**	4.75%	4.75%
Rate of compensation increase	**2.50%**	2.50%	2.50%
WEIGHTED-AVERAGE ASSUMPTIONS FOR DISCLOSURE			
Discount rate	**4.75%**	4.75%	4.75%
Rate of compensation increase	**2.50%**	2.50%	2.50%

5. Pension obligations (continued)

	2012	2011	April 1 2010
CHANGE IN ACCRUED BENEFIT OBLIGATION			
Accrued benefit obligation at the end of the prior year	$ **495,919**	$ 539,872	$ –
Current service cost	**25,592**	19,656	–
Interest cost	**23,877**	22,535	–
Plan amendments	**–**	(77,813)	–
Benefits paid	**(12,072)**	(11,836)	–
Actuarial loss	**5,513**	3,505	–
Accrued benefit obligation at the end of the year	$ **538,829**	$ 495,919	$ 539,872
RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT LIABILITY			
Benefit obligation at end of year	$ **538,829**	$ 495,919	$ 539,872
Unamortized net actuarial loss	**(8,142)**	(3,505)	–
Accrued benefit liability	$ **530,687**	$ 492,414	$ 539,872

(b) Multiemployer defined benefit pension plan

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Province of Nova Scotia. The Board matches employees' contributions calculated as follows: 8.4% (2011 - 8.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2011 - 10.9%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of $310,387 in 2012 (2011 - $300,447). There is no further liability with respect to past service at March 31, 2012.

6. Post-retirement health and retiring allowance obligations

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2008 and a second valuation was prepared for the fiscal year ended March 31, 2011 and extrapolated to March 31, 2012. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

6. Post-retirement health and retiring allowance obligations (continued)

	2012	2011	April 1 2010
COMPONENTS OF POST-RETIREMENT HEALTH AND RETIRING ALLOWANCE COST			
Current service cost (employer portion)	$ **73,968**	$ 87,917	$ –
Interest cost	**67,155**	58,744	–
Actuarial loss	**4,969**	–	–
Post-Retirement Health and Retiring Allowance Cost	$ **146,092**	$ 146,661	$ –
WEIGHTED-AVERAGE ASSUMPTIONS FOR EXPENSE			
Discount rate	**4.75%**	4.75%	4.75%
Rate of compensation increase	**2.50%**	2.50%	2.50%
Initial weighted average health care trend rate	**6.83%**	6.69%	7.50%
Ultimate weighted average health care trend rate	**4.50%**	4.50%	4.50%
Year ultimate rate reached	**2025**	2016	2016
WEIGHTED-AVERAGE ASSUMPTIONS FOR DISCLOSURE			
Discount rate	**4.75%**	4.75%	4.75%
Rate of compensation increase	**2.50%**	2.50%	2.50%
Initial weighted average health care trend rate	**6.67%**	6.83%	6.69%
Ultimate weighted average health care trend rate	**4.50%**	4.50%	4.50%
Year ultimate rate reached	**2025**	2025	2016
CHANGE IN ACCRUED BENEFIT OBLIGATION			
Accrued benefit obligation at the end of the prior year	$ **1,395,827**	$ 1,200,925	$ –
Current service cost (employer portion)	**73,968**	87,917	–
Interest cost	**67,155**	58,744	–
Benefits paid	**(38,049)**	(16,353)	–
Actuarial loss	**24,025**	64,594	–
Accrued benefit obligation at the end of the year	$ **1,522,926**	$ 1,395,827	$ 1,200,925
RECONCILIATION OF FUNDED STATUS TO ACCRUED BENEFIT LIABILITY			
Deficit at the end of year	$ **1,522,926**	$ 1,395,827	$ 1,200,925
Unamortized net actuarial loss	**(83,650)**	(64,594)	–
Accrued benefit liability	$ **1,439,276**	$ 1,331,233	$ 1,200,925

7. Net change in non-cash working capital balances related to operations

	2012	2011
Increase (decrease) in cash from changes in:		
Receivables	**$ 91,128**	$ (6,372)
Prepaid expenses	**(43,040)**	(10,442)
Payables and accruals	**367,577**	(98,344)
Payable to government	**(289)**	29,260
	$ 415,376	$ (85,898)

8. Contractual obligations

The Board has entered into various lease agreements for premises and equipment. The approximate minimum payments required over the next five years are as follows:

2013	$ 260,851
2014	$ 184,768
2015	$ 186,964
2016	$ 186,964
2017	$ 186,964

9. Financial instruments

The following are the significant risks that the Board is exposed to through its financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The Board's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its regulated entities and the regular review of their credit limits. The Board does not have a significant exposure to any individual regulated entity or counterpart. Management reviews accounts receivable on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

9. Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board has investments in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high interest savings accounts which bear interest at fixed rates ranging between 1.960% and 6.821%. Consequently, the Board's exposure to interest rate risk on these investments is minimal.

(c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The debentures, bonds and mid and medium term notes held in the Board's investment portfolio expose the Board to market risk as such investments are subject to price changes in the open market.

(d) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Board's ability to meet its obligations depends on the receipt of funds whether in the form of revenue or advances.

10. Budget information

The budget figures presented are for comparison purposes and are unaudited. Amortization was not contemplated in development of the budget and, as such, has not been included.

SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2012

	COST				ACCUMULATED AMORTIZATION						
TANGIBLE CAPITAL ASSETS – GENERAL											
	Opening	Additions	Disposals	Ending	Opening	Amortization	Disposals	Closing	**2012 Net book value**	2011 Net book value	Apr 1 2010 Net book value
Leasehold improvements	$ 601,239	$ 37,856	$ –	$ 639,095	$ 472,807	$ 36,243	$ –	$ 509,050	**$ 130,045**	$ 128,432	$ 158,893
Furniture and fixtures	437,438	4,065	–	441,503	423,532	9,342	–	432,874	**8,629**	13,907	22,662
Computer equipment	988,272	76,365	–	1,064,637	831,258	111,937	–	943,195	**121,442**	157,014	236,886
Computer software	625,121	42,134	–	667,255	599,654	27,781	–	627,435	**39,820**	25,467	100,965
Equipment	168,035	–	–	168,035	157,583	10,452	–	168,035	**–**	10,452	32,031
	2,820,105	160,420	–	2,980,525	2,484,834	195,755	–	2,680,589	**299,936**	335,272	551,437
TANGIBLE CAPITAL ASSETS – GRC											
Leasehold improvements	671,782	–	–	671,782	473,622	118,902	–	592,524	**79,258**	198,160	317,062
Furniture and fixtures	50,228	–	–	50,228	49,065	1,163	–	50,228	**–**	1,163	8,605
Computer equipment	971,464	8,281	–	979,745	970,899	1,945	–	972,844	**6,901**	565	9,743
Computer software	202,791	–	–	202,791	202,791	–	–	202,791	**–**	–	33,798
Equipment	21,242	–	–	21,242	18,587	2,655	–	21,242	**–**	2,655	7,966
	1,917,507	8,281	–	1,925,788	1,714,964	124,665	–	1,839,629	**86,159**	202,543	377,174
	$ 4,737,612	$ 168,701	$ –	$ 4,906,313	$ 4,199,798	$ 320,420	$ –	$ 4,520,218	**$ 386,095**	$ 537,815	$ 928,611

SCHEDULE OF EXPENSES

YEAR ENDED MARCH 31, 2012

	BUDGET	2012	2011
COST RECOVERIES REFUNDED TO GOVERNMENT			
Government of Canada	$ –	$ 1,612,980	$ 1,602,449
Government of Nova Scotia	–	1,612,980	1,602,449
Total cost recoveries refunded to government	$ –	$ 3,225,960	$ 3,204,898
REGULATION OF PETROLEUM ACTIVITIES			
Personnel, consulting and Board members	$ 4,565,000	$ 4,695,818	$ 4,456,182
General office and support	1,551,000	1,098,603	1,071,229
Office and laboratory premise costs	596,000	584,992	576,679
Supplementary employee retirement plan cost (recovery)	29,000	50,345	(35,622)
Post-retirement health and retiring allowance cost	149,000	146,092	146,660
Diving certification	10,000	10,000	10,000
Total regulation of petroleum activities	$ 6,900,000	$ 6,585,850	$ 6,225,128

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- Licence Registry information including new ELs, SDLs, PLs and transfers of ownership.
- Calls for Bids Information.
- Environmental Assessment Registry Information including newly posted information for active EAs.
- Weekly Activity Reports Detailing current offshore activities.
- Annual and Semi-Annual Benefits Reports submitted for the Sable Offshore Energy Project and Deep Panuke Offshore Gas Development.
- Spills to Sea statistics.
- Injury statistics.
- Geological and geophysical information.
- Data Management Centre Access to digital geoscience data available at **www.cnsopbdmc.ca**

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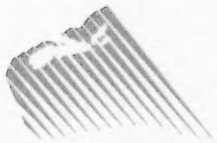
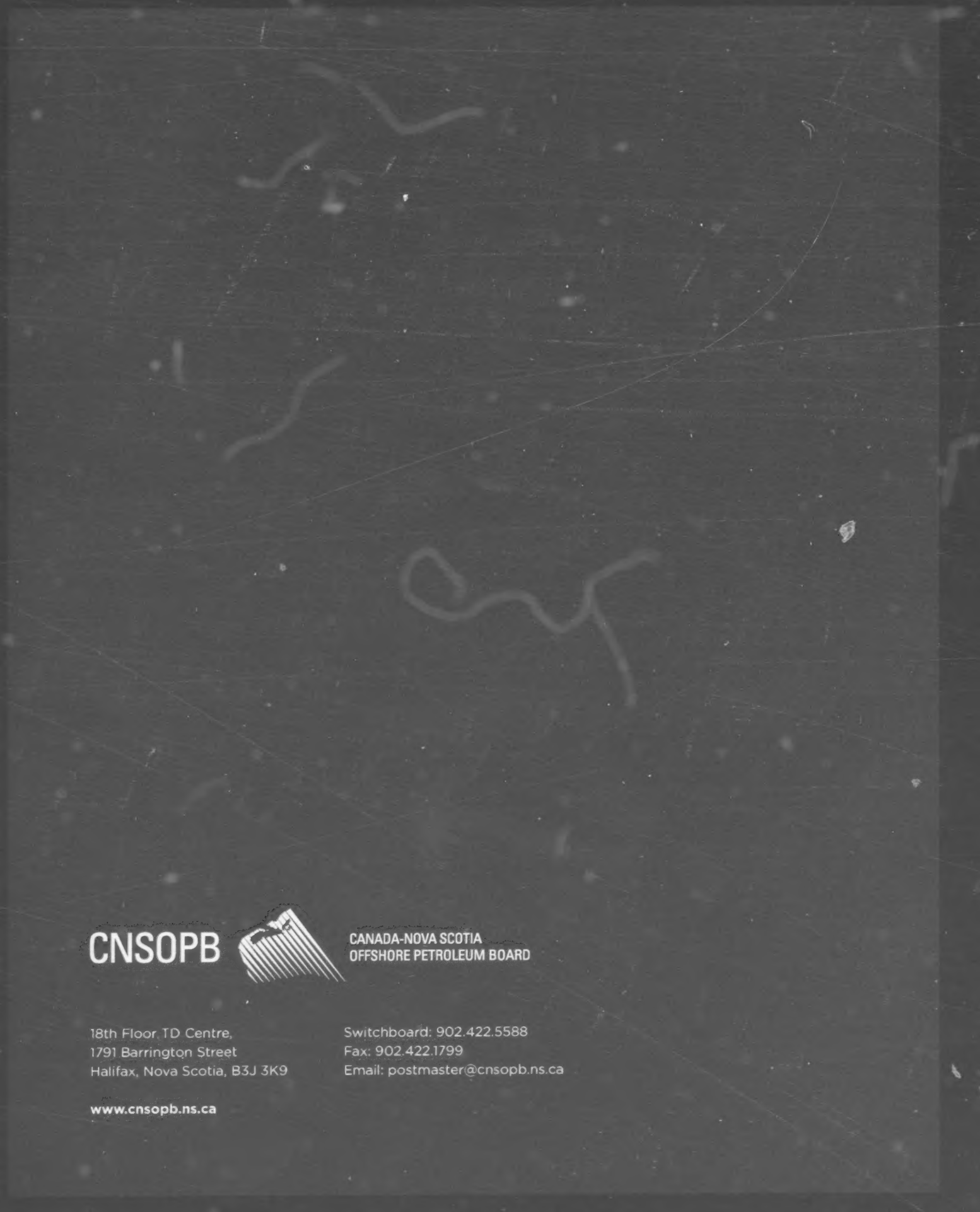


CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD



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OFFSHORE PETROLEUM BOARD

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